Engaging America's Biggest Market

MILLENNIALS, LENDING AND FINANCIAL SECURITY
Attacking by Unbundling the Incumbents

Source: CB Insights
ARE YOU SMARTER THAN A MILLENIAL?
Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

A. MORE THAN $102
B. EXACTLY $102
C. LESS THAN $102
D. DON’T KNOW
Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

- A: More than $102
- B: Exactly $102
- C: Less than $102
- D: Don’t know
What percent of millennials got that one right?

73%

Source: Filene; Gen Y Personal Finances…; May 2014
Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

A. MORE THAN TODAY
B. EXACTLY THE SAME AS TODAY
C. LESS THAN TODAY
D. DON’T KNOW
Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

A. MORE THAN TODAY  
B. EXACTLY THE SAME AS TODAY  
C. LESS THAN TODAY  
D. DON’T KNOW
What percent of millennials got that one right?

46%

Source: Filene; Gen Y Personal Finances…; May 2014
Please tell me whether this statement is true or false. “Buying a single company’s stock usually provides a safer return than a stock mutual fund.”

A TRUE
B FALSE
C DON’T KNOW
D DON’T EVEN WANT TO GUESS
Please tell me whether this statement is true or false. “Buying a single company’s stock usually provides a safer return than a stock mutual fund.”
What percent of millennials got that one right?

Source: Filene; Gen Y Personal Finances...; May 2014

40%
True or false: A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage but the total interest over the life of the loan will be less.

A  TRUE
B  FALSE
C  DON’T KNOW
D  DON’T EVEN WANT TO GUESS
True or false: A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage but the total interest over the life of the loan will be less.
What percent of millennials got that one right?

72%

Source: Filene; Gen Y Personal Finances…; May 2014
If interest rates rise, what will typically happen to bond prices?

A. They will rise
B. They will fall
C. They will stay the same
D. There is no relationship
If interest rates rise, what will typically happen to bond prices?

A  THEY WILL RISE
B  THEY WILL FALL
C  THEY WILL STAY THE SAME
D  THERE IS NO RELATIONSHIP
What percent of millennials got that one right?

22%

Source: Filene; Gen Y Personal Finances...; May 2014
Financial Literacy Quiz

24% HAD #1 - #3 CORRECT

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate &amp; Compounding</td>
<td>73%</td>
</tr>
<tr>
<td>Inflation</td>
<td>46%</td>
</tr>
<tr>
<td>Single Stock Safer Return</td>
<td>40%</td>
</tr>
<tr>
<td>15 yr. vs. 30 yr. Mortgage</td>
<td>72%</td>
</tr>
<tr>
<td>Bond Prices</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Filene; Gen Y Personal Finances…; May 2014

% Answered Correct - Millennials
Financial Literacy Quiz

8% HAD ALL 5 CORRECT

Source: Filene; Gen Y Personal Finances…; May 2014
Financial Literacy Quiz

AVERAGE # OF CORRECT ANSWERS
BY GENERATION

18-34 "Millennials" 2.3
35-54 "Gen X" 2.9
55+ "Boomers" 3.3

Source: Filene; Gen Y Personal Finances...; May 2014
AGENDA

Who are Millennials and Why Does It Matter

Millennials Represent a Significant Lending Market…NOW!

The Many Faces of Millennials: Personas

How to Take Advantage of this Market – Acquisition of Millennial Members The Many Faces of Millennials: Personas
Who Are Millennials and Why Does It Matter
MILLENNIALS MAKE UP THE LARGEST GENERATION IN HISTORY

80 million individuals aged 18-34

Millennials make up the largest generation in history

1 out of every 4 individuals in the US is a millennial

Millennials make up the largest generation in history

1 out of every 3 workers in the US workforce today

MILLENNIALS ARE ACTIVELY BREAKING DOWN GENERATIONAL STEREOTYPES

30% of Millennials are over 30, 57% are homeowners and 46% are parents

MILLENNIALS ARE ACTIVELY BREAKING DOWN GENERATIONAL STEREOTYPES

60% don’t identify as being a Millennial

Source: Pew Research Center; Sept 2015
MILLENNIALS ARE ACTIVELY BREAKING DOWN GENERATIONAL STEREOTYPES

Only 1 out of 7 is single, childless, and living at home with their parents

Millennials will dominate the financial landscape in the country for years to come

$200+ BILLION

IN DIRECT PURCHASE POWER

WHILE GETTING A BAD RAP ON LAZINESS AND LACK OF MOTIVATION, MILLENNIALS CARRY WITH THEM A STRONG BELIEF IN THE TRADITIONAL AMERICAN DREAM

78% are energized about the possibilities ahead +11% over Gen X

Source: U.S. Yankelovich MONITOR; 2015
WHILE GETTING A BAD RAP ON LAZINESS AND LACK OF MOTIVATION, MILLENNIALS CARRY WITH THEM A STRONG BELIEF IN THE TRADITIONAL AMERICAN DREAM

53% believe they will be rich +14% over Gen X

Source: U.S. Yankelovich MONITOR; 2015
WHILE GETTING A BAD RAP ON LAZINESS AND LACK OF MOTIVATION, MILLENNIALS CARRY WITH THEM A STRONG BELIEF IN THE TRADITIONAL AMERICAN DREAM

88% believe if they work hard enough.... achieve what I want +9% over GenX

Source: U.S. Yankelovich MONITOR; 2015
As with other generations, families and kids are critical, but millennials are more concerned with financial stability.

How do millennials define success in their lives...

- **39%** Great relationship with spouse/partner
- **36%** Raising good/happy kids
- **31%** Financial stability
- **30%** Strong relationship with God
- **27%** Happy/content with who they are

As with other generations, families and kids are critical, but millennials are more concerned with financial stability.

66% worry about financial stability on a daily basis.

As with other generations, families and kids are critical, but millennials are more concerned with financial stability.

60% report living paycheck to paycheck.

Source: CUNA Mutual Group Consumer Survey; 2015
AS WITH OTHER GENERATIONS, FAMILIES AND KIDS ARE CRITICAL, BUT MILLENNIALS ARE MORE CONCERNED WITH FINANCIAL STABILITY

20% have friend/family who experienced bankruptcy

Source: CUNA Mutual Group Consumer Survey; 2015
These worries are complicated by the fact that financial literacy across this generation is relatively low.

Only 8% were able to answer basic financial literacy questions.

These worries are complicated by the fact that financial literacy across this generation is relatively low.

43% indicate they do not feel confident from a financial standpoint.

THESE WORRIES ARE COMPLICATED BY THE FACT THAT FINANCIAL LITERACY ACROSS THIS GENERATION IS RELATIVELY LOW

1 in 3 do not know their credit score and 67% do not know how credit scores are created

Source: Experian; Millennials Behind in Credit Knowledge…; Nov 2015
BUT THIS ALSO OFFERS A LARGE OPPORTUNITY IN THE FINANCIAL INDUSTRY AS THEY ARE EXTREMELY OPEN TO ADVICE AND GUIDANCE ON FINANCIAL MATTERS

84% of Millennials indicate they would value advice or guidance when it comes to financial decisions

Not Every Millennial is the Same

18-24 YR OLDS
36%; 30MM

COLE

Young, full of college debt, but on his way in terms of a career, relationships and financial stressors.

25-29 YR OLDS
31%; 22MM

SARA

Her career is progressing and family starting to take center stage, bringing major home and auto purchases.

30-34 YR OLDS
34%; 28MM

CHRISTY

Family is king and career expectations are leveling off, large investments continue as well as the worries that come along with those purchases.
## Cole

**BRIEF INTRODUCTION**

<table>
<thead>
<tr>
<th>22 Years-old</th>
<th>About to graduate</th>
<th>Student loan debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anxiety about the job prospects</td>
<td>Entry-level wage</td>
<td>Move back home with his parents</td>
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<tr>
<td>Needs like having a reliable used vehicle</td>
<td></td>
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</tbody>
</table>
Sara

BRIEF INTRODUCTION

- 28 Years old
- **Engaged** to be married
- **New home** together
- Hopefully **children**
- Living life to the **fullest**
- **Modest levels** of debt
- Need to make some **significant decisions** in the near future
- **Upgrade** her current car
**Christy**

**BRIEF INTRODUCTION**

<table>
<thead>
<tr>
<th>34 Years-old</th>
<th>Two kids, 8 and 5</th>
<th>Making time to spend with her family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant consumer debt</td>
<td>Need a bigger, more reliable vehicle</td>
<td>Added pressure on their finances</td>
</tr>
</tbody>
</table>

In the market for a home in a better school district
Millennials Represent a Significant Lending Market....NOW!
MILLENNIALS ALREADY CARRY OVER $4 TRILLION IN DEBT

70% of Millennials currently carry debt

Source: U.S. Yankelovich MONITOR; 2015
MILLENNIALS ALREADY CARRY OVER $4 TRILLION IN DEBT

$52,120 average debt…. 50% of that being non-mortgage debt

Source: U.S. Yankelovich MONITOR; 2015
MILLENNIALS ALREADY CARRY OVER $4 TRILLION IN DEBT

35% indicate paying down debt is their biggest financial priority

Source: U.S. Yankelovich MONITOR; 2015
And Millennials Plan to Add Significant Mortgage Debt…

$900 MILLION
ESTIMATED MILLENNIAL MORTGAGE MARKET IN THE COMING YEAR

13% plan on buying a home in the next year, rising to 45% over a 5 year horizon

97% of Millennial home buyers take out a mortgage +9% over general population

$87,859 average home loan amount

…As Well as Auto Loan Debt

$700 MILLION

ESTIMATED MILLENNIAL AUTO LOAN OPPORTUNITY IN THE NEXT 18 MONTHS

46% will be in the market for new or used vehicles in the next 18 months

Millennials represent 27% of total auto loan originations in 2014

$18,678 average auto loan amount

MILLENNIALS ARE ALSO LOOKING FOR THE TOOLS AND KNOWLEDGE TO PROTECT THOSE LOAN PAYMENTS

Even though Millennials are optimistic...

...78% are enthusiastic about possibilities ahead

Source: U.S. Yankelovich MONITOR; 2015
MILLENNIALS ARE ALSO LOOKING FOR THE TOOLS AND KNOWLEDGE TO PROTECT THOSE LOAN PAYMENTS

They feel vulnerable (%) to key issues that could be covered by payment protection

- CAR ACCIDENTS - 54%
- FEAR OF LOSING A JOB - 41%
- GETTING SICK - 35%

Source: U.S. Yankelovich MONITOR; 2015
Young, full of college debt, but on his way in terms of a career, relationships and financial stressors.

A LOT TO LEARN

Entry-level position

Significant personal finance decisions

Take-home pay

Advice from his parents

Searched online for financial sites and tools

Rent-free room at his parent’s house

Sticker shock

Used car he desperately needs
Her career is progressing and family starting to take center stage, bringing major home and auto purchases.

Debt is already a **major stressor**

**Uses financial tools**

1. Determine what she can afford
2. How much her trade-in might be worth
3. Amount she could afford as a down payment
4. What loan rates are available
5. Subsequent loan amount
Family is king and career expectations are leveling off, large investments continue as well as the worries that come along with those purchases.

Talking to other moms and friends

Current home loan and auto loan to discuss what she would be able to afford given her current salary, loan amount and house needs

Don’t want to have to count on husbands contribution

Leaned heavily on on-line resources
How to Take Advantage of This Critical Market

ACQUISITION OF MILLENNIAL MEMBERS
OPTIMIZE OR LOSE BUSINESS OPPORTUNITY

30% WILL ABANDON A PURCHASE IF CART IS NOT OPTIMIZED FOR MOBILE DEVICES

57% of mobile users will abandon your website if it takes more than 3 seconds to load

Source: U.S. Yankelovich MONITOR; 2015
Collection of effective and affordable financial education content designed to engage and teach young adults while setting your credit union apart.
Financial Health Metrics

“In an increasingly competitive landscape, the ability to address and increase consumers’ financial health will become the new competitive frontier.”

Financial Advice for the Rest of Us

FlexScore gives you total financial clarity wrapped up in a single score. The score you want to achieve is 1,000 to be considered financially independent. See where you’re at now, get free advice on what to do next, and make your goals a reality. It’s fast, free, and even a little fun.

See your FlexScore Now: Sign Up for Free
During financial check-ins...

- What life events have happened?
- Change in income?
- Change in expenses?
- Change in current financial goals?
- Vision for longer term future financial goals?
Consolidate Debt
Take advantage of our great rates to pay down your debt with one single, lower monthly payment.

Short-Term Loans
Karrot’s 36 and 60 month short-term loans are designed to get you what you need, quick, without a lifetime of payments ahead of you.

Wedding Loans
Your big day should be everything you’ve dreamed of (even if Uncle Marty dances the polka). Use Karrot’s quick online loans for your special day.

Start-Up Business Loan
Always had a dream to start up your own business, but didn’t have the funds. Get it off the ground with Karrot.

Auto & Vehicle Loans
Skip your bank’s slow car loan process and use Karrot’s quick online process to drive your dream car off the lot.

Loans to Help Friends & Family
Sometimes life gets the best of those we love — be the support they need with our Karrot loans to help friends & family.

Vacation Loan
Aruba, Jamaica, Bermuda, Bahamas… plan your dream vacation with our Karrot vacation loans and fly off to paradise.

Medical Loan
Hospital bills are expensive and can come unexpectedly with an accident or costly surgery – Karrot loans will have you covered.

Pet Loans
We understand that Spike is your furbaby, and he sometimes swallows socks. Get a Karrot loan for those unexpected vet bills.

Holiday Season Loans
The holidays are meant for cheer, not going broke buying gifts. Make it a wonderful year with Karrot’s loans.
Millennial Lending Strategies – Reduce Friction

**REACTIVE**

**SIT AND WAIT**
- Initiated by customer *(fundamental flaw)*
- Application required

**ASK FOR THE BUSINESS**
- Promotions (seasonal or need driven)
- Targeted pre-approvals & pre-qualifications
- New account cross-sell (application required)

**PROACTIVE**

**EMPOWER THE CONSUMER**
- Comprehensive Pre-Screened Lending (CPL)
  - NO Applications
  - Perpetual loan approval status
  - Multi-product
  - Omni-channel
  - Customer-centric

**PREEMPTIVE**

- Online applications
- Instant approval
- Many providers
- Little differentiation
- Little/no competitive advantage

- “Spray & Pray” marketing initiatives
- Advertising & promotions
- Teaser rates & incentives
- Segmentation & targeting strategies
- “Instant” applications w/ cross sell

- Constant/consistent messaging
- All touch points
- All direct channels
- Instantly actionable response
LIFE STAGE
MOBILE APPS

Car buying
Home shopping
Wedding planning
Baby planning

Source: Experian; Millennials and Personal Finance; Nov 2015
Packers raised millions of dollars from fans that wanted to show their commitment to the community
Here’s what we understand about millennials today:
• They represent a significant lending opportunity, now and for years to come
• Their family focus and strong desire to pursue the American Dream make them a great fit with the Credit Union movement
• Their financial acumen is low, but are open to advice and guidance which poses a great opportunity for Credit Unions

We have not penetrated this market well to date, so focusing on communications and products that reach this generation digitally and in a less complicated way will be important

Once Millennials are members, Credit Unions have been very effective at helping them achieve their financial goals, but this generation will need special attention to ensure their loyalty

Not all Millennials are the same, and Sara has helped you to see how the middle-aged Millennials is struggling with debt and looking for simpler, more digitally connected financial advice and products
Questions?