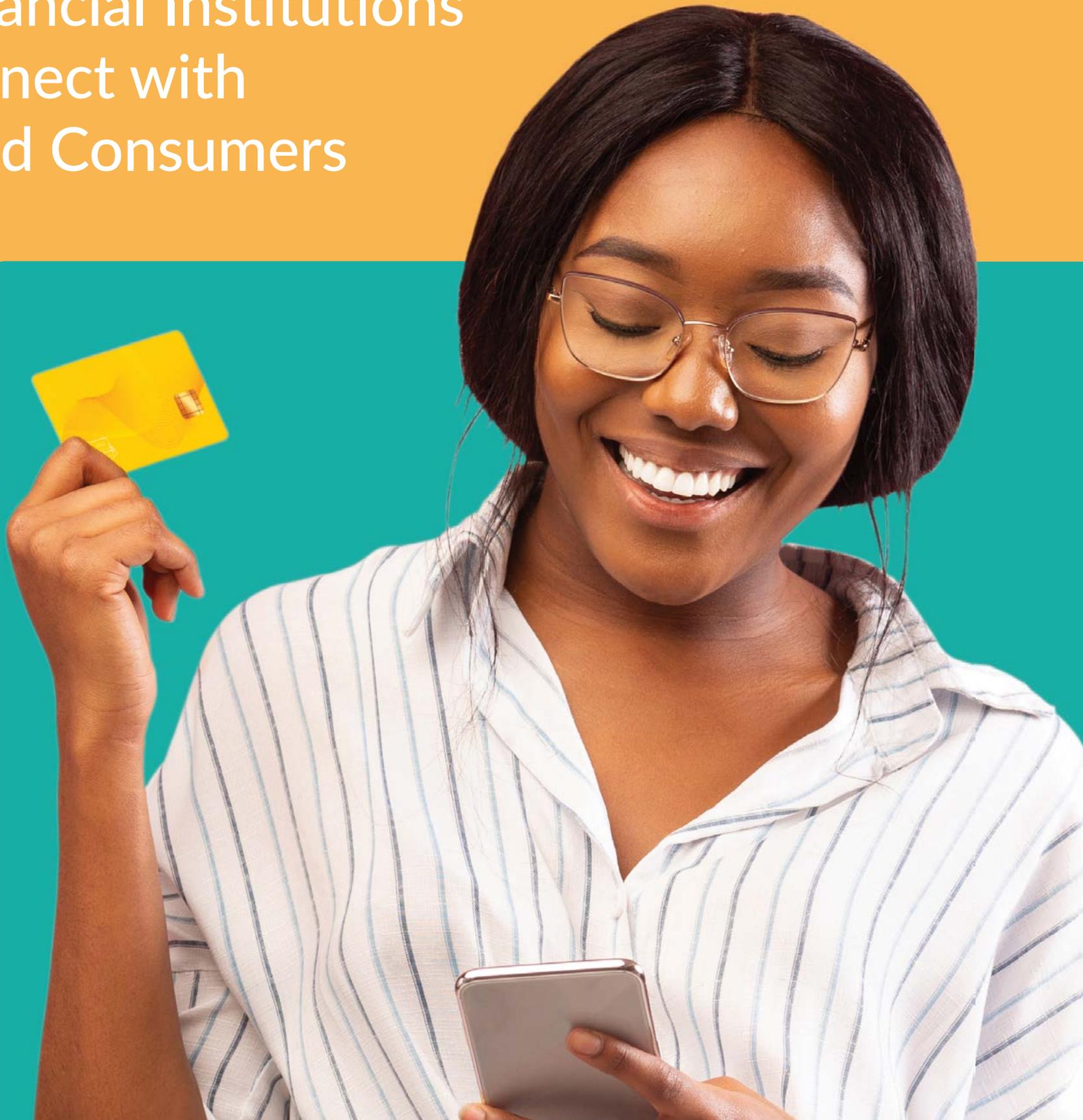


The Approachability Gap:

How Financial Institutions
Can Connect with
Untapped Consumers



EVERFI

Introduction

There is no shortage of research and press about the state of financial literacy and financial well-being among U.S. consumers. While overall financial well-being has improved since the immediate aftermath of the financial crisis, reports from the last few years indicate that nearly four in 10 adults would not be able to cover an unexpected \$400 expense from savings.¹ Further, the typical U.S. adult could correctly answer only half of a series of financial questions found to be correlated with financial literacy.²

These studies also found a positive relationship between:

- **short-term savings** and **financial well-being**
- **financial literacy** and **healthy financial behaviors**

But how do consumers really feel about their personal finances, and what should their financial habits highlight to banks and credit unions? This report takes a deeper look at:

"Room-to-Grow" Consumers

Learn more about their current financial situation and financial goals.

The Disconnect

See what stands in the way of consumer engagement with banks and credit unions.

Financial Education

Find out why it could help shift consumer relationships with their financial institutions.

1. Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2018". May 2019. <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>

2. Global Financial Literacy Education Center, "Financial Literacy in the United States and its Link to Financial Wellness. April 2019. https://gflec.org/wp-content/uploads/2019/03/TIAA-Institute-GFLEC_P-Fin-Index-Report_April-2019_FINAL.pdf

Meet the "Room-to-Grow" Consumer

Among banked consumers, 45% of those surveyed scored low on measures of financial well-being and described themselves as less than satisfied with their current financial condition. We'll call this group "room-to-grow" consumers throughout the report.

Compared to those who were more financially secure, "room-to-grow" consumers are more likely to be:

- **female**
- **younger** (55% are under 45)
- **have a lower household income** (median income ~\$50,000)

Financial well-being includes:³

 **Control** over one's finances

 **Capacity** to absorb a financial shock

 **Being on track** to meet financial goals

 **Ability to make financial choices** that allow one to enjoy life.

45% of consumers have "room-to-grow" in their financial situation

But there are "room-to-grow" consumers at all points along the income spectrum. In fact, 43 percent of this group make more than \$75,000 per year, which is more than the national median income (\$63,179).

When asked what would make them feel more satisfied with their current personal financial condition, "room-to-grow" consumers tend to cite goals associated with financial stability. Nearly two-thirds of this group (64%) say that having a better emergency savings fund would help them feel more satisfied, compared to 42 percent of more financially stable consumers. Similarly, "room-to-grow" consumers were 55 percent more likely than their peers to say that paying off current debt faster would improve their comfort with their financial situation.

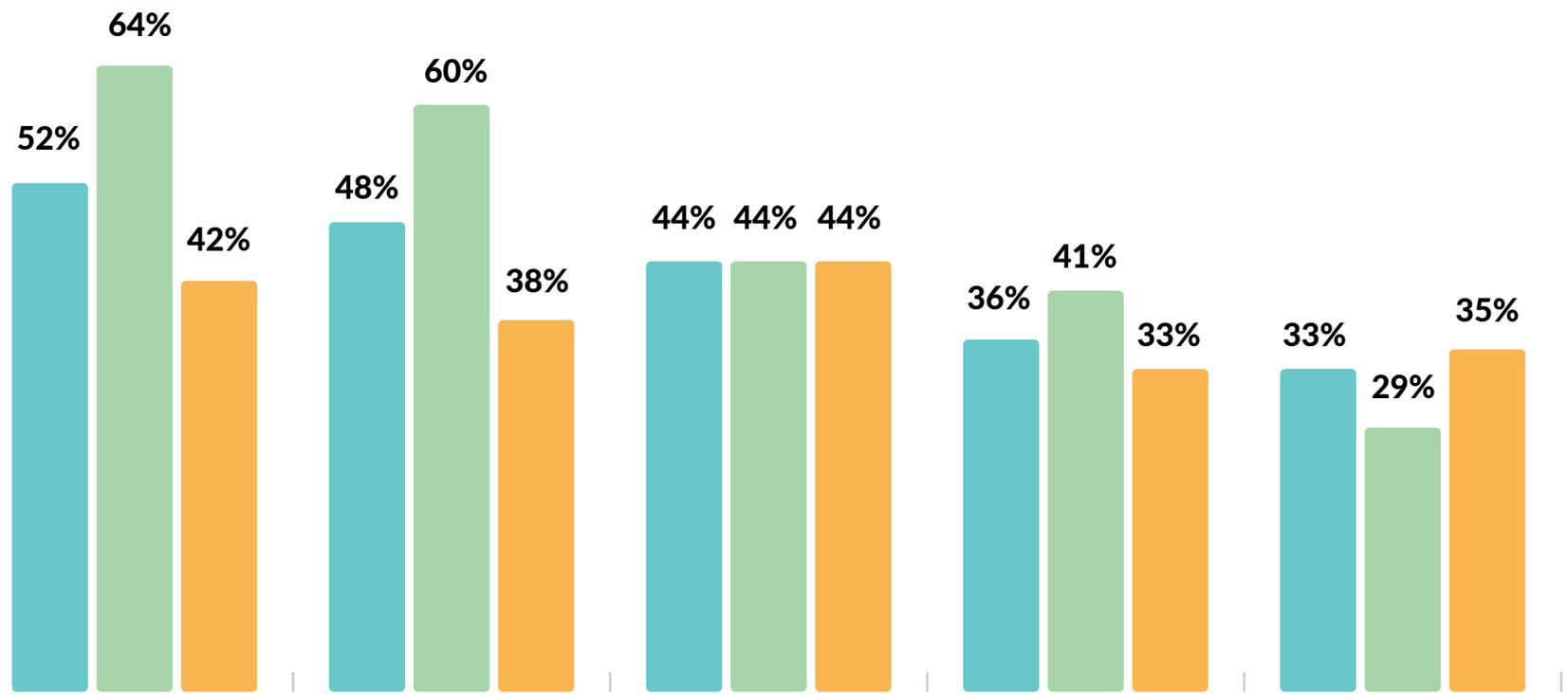
These responses are consistent with research that shows a strong, positive relationship between liquid savings and higher levels of financial well-being.⁴ **As a result "room-to-grow" consumers represent an opportunity for financial institutions to engage customers and prospects in ways that meaningfully impact their financial well-being.** Products, services, and promotions that support consumer saving and debt management can help consumers achieve the precise goals that they report would improve their financial situations.

3. Consumer Financial Protection Bureau, "Measuring financial Well-being: A guide to using the CFPB Financial Well-Being Scale". December 2015. https://files.consumerfinance.gov/f/201512_cfpb_financial-well-being-user-guide-scale.pdf

4. Consumer Financial Protection Bureau, "Financial Well-Being in America". September 2017. https://files.consumerfinance.gov/f/documents/201709_cfpb_financial-well-being-in-America.pdf

What will help you feel more satisfied with your personal finance condition?

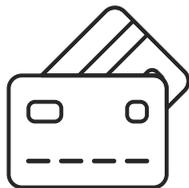
■ All Banked Consumers
 ■ Room-to-Grow Consumers
 ■ Financially Stable Consumers



Having a better "rainy day" or emergency savings fund



Paying off current debt faster



Saving more for retirement



Saving more for a big purchase (home, car, college, etc.)



Investing more

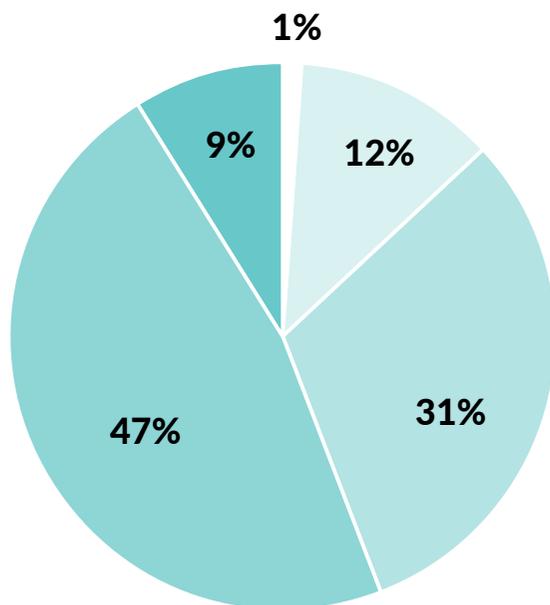


Even as "room-to-grow" consumers identify financial goals that would allow them to feel more satisfied with their current financial situation, many of these consumers lack confidence in their ability to meet those goals.

About three quarters (74%) of all banked consumers rate themselves as 'somewhat' or 'very' confident in their ability to achieve a financial goal, if they set one today. But "room-to-grow" consumers are four times more likely to express a lack of confidence in their ability to reach financial goals. A full 44 percent of "room-to-grow" consumers say that they are 'not very' or 'not at all' confident that they could reach a financial goal, or that they don't know if they could, compared to just 11 percent of financially stable consumers.

Confidence to Achieve Financial Goals

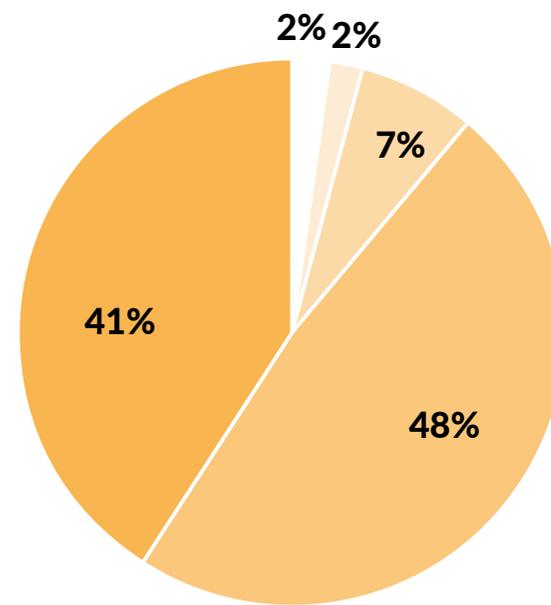
Room-to-Grow Consumers



Levels of Confidence



Financially Stable Consumers



Levels of Confidence



When asked what would help them achieve their financial goals, a sizable majority of all consumers say that financial resources, education, tools, and advice would be 'somewhat' or 'very' helpful.

What Will Help You Achieve Your Financial Goals?

80%

Easy access to reliable financial information



74%

financial education
(learning about personal finance topics)



74%

Budgeting or savings tools or apps



71%

Personalized advice from your financial institution



70%+ of consumers say that access to reliable information, financial education, budgeting or savings tools, and personalized advice would help to reach financial goals.

Approachability and Where Financial Institutions Fall Short

Despite the clear opportunity for consumers to utilize these types of resources, many are not comfortable engaging with their financial institutions. **43 percent of "room-to-grow" consumers and only half of all consumers say they would be comfortable going to a financial institution to ask about products or services.**

When asked why they're hesitant, the top barriers cited are related to approachability and comfort with financial institutions. 51 percent of hesitant consumers—those who did not say they would be comfortable approaching their financial institution—said "I'm not sure what questions to ask." 32 percent of respondents cited, "I don't know the lingo (what banking terms or acronyms mean)," and 29 percent said that, "I am concerned I won't understand the answer to my question." Essentially, a majority of consumers who aren't comfortable approaching their bank or credit union with questions about products or services are intimidated by financial conversations and do not feel prepared to have them.

Why did you hesitate to engage with your financial institution?

- 51%** I'm not sure what questions to ask
- 32%** I don't know the lingo (what banking terms or acronyms mean)
- 29%** I'm concerned I won't understand the answer to my question
- 27%** I'm embarrassed about my current financial situation
- 20%** I don't trust my bank or credit union

51% of consumers are not comfortable approaching their financial institution because they don't know what questions to ask.

Since at least the financial crisis in 2008, there have been lingering concerns about consumer trust in financial institutions. One annual index shows trust in banks climbing steadily since a low-point in 2012, but put consumer trust in banks at just 41% at the end of 2018.⁵

Whatever the concerns about consumer trust in banking, it does not appear to be a major driver of hesitancy on the part of consumers to engage with their financial institutions. Only 20 percent of hesitant consumers cited “I don’t trust my bank or credit union” as a reason to be uncomfortable engaging.

Rather than lack of trust, the top reasons consumers don’t engage with their financial institution have to do with approachability.

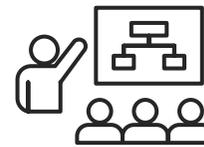
Efforts to maintain trust and earn consumer loyalty continue to play an important role. But this research suggests that consumer acquisition and retention efforts must also focus on ways to make financial institutions more relatable and approachable to consumers.

3 Tips to Aid Approachability



1. Increase consumer knowledge and confidence.

Savvy consumers are more likely to say that they would engage their financial institution on questions about products and services.



2. Train internally.

Employees must be prepared to communicate more clearly with customers—especially those “room-to-grow” consumers.



3. Align products and services.

Consumers want easy to understand offers that are in line with their financial goals, like paying off debt and building savings.

5. Chicago Booth/Kellogg School Financial Trust Index. February 2019. <http://www.financialtrustindex.org/resultswave27.htm>

Shifting Consumer Relationships with Financial Education

Financial education continues to be a leading strategy to help financial institutions address the approachability gap with consumers.

Despite belief in the ability of financial education to help improve their financial situation, just 40 percent of consumers surveyed say they've received financial education. In this case, financial education is defined as in-person or online instruction in personal finance topics, excluding independent research or reading. Of that 40 percent, only 24 percent say they received financial education from their bank or credit union. The most common sources of financial education are high school (32%) and college (46%).

Most consumers say financial education would help them engage with their financial institution, but **just one in ten** have received financial education from a bank or credit union.

Consumers with past financial education are associated with more positive financial behavior and satisfaction. These consumers are less likely to fall in the "room-to-grow" cohort, and more likely to have higher than average financial well-being and satisfaction with their current financial situation (63% are in this financially stable group vs 50% of those with no financial education).

Consumers report financial education would:



56% agree

Make them more comfortable **engaging with their financial institution** on products or services



59% agree

Increase their confidence to manage their finances

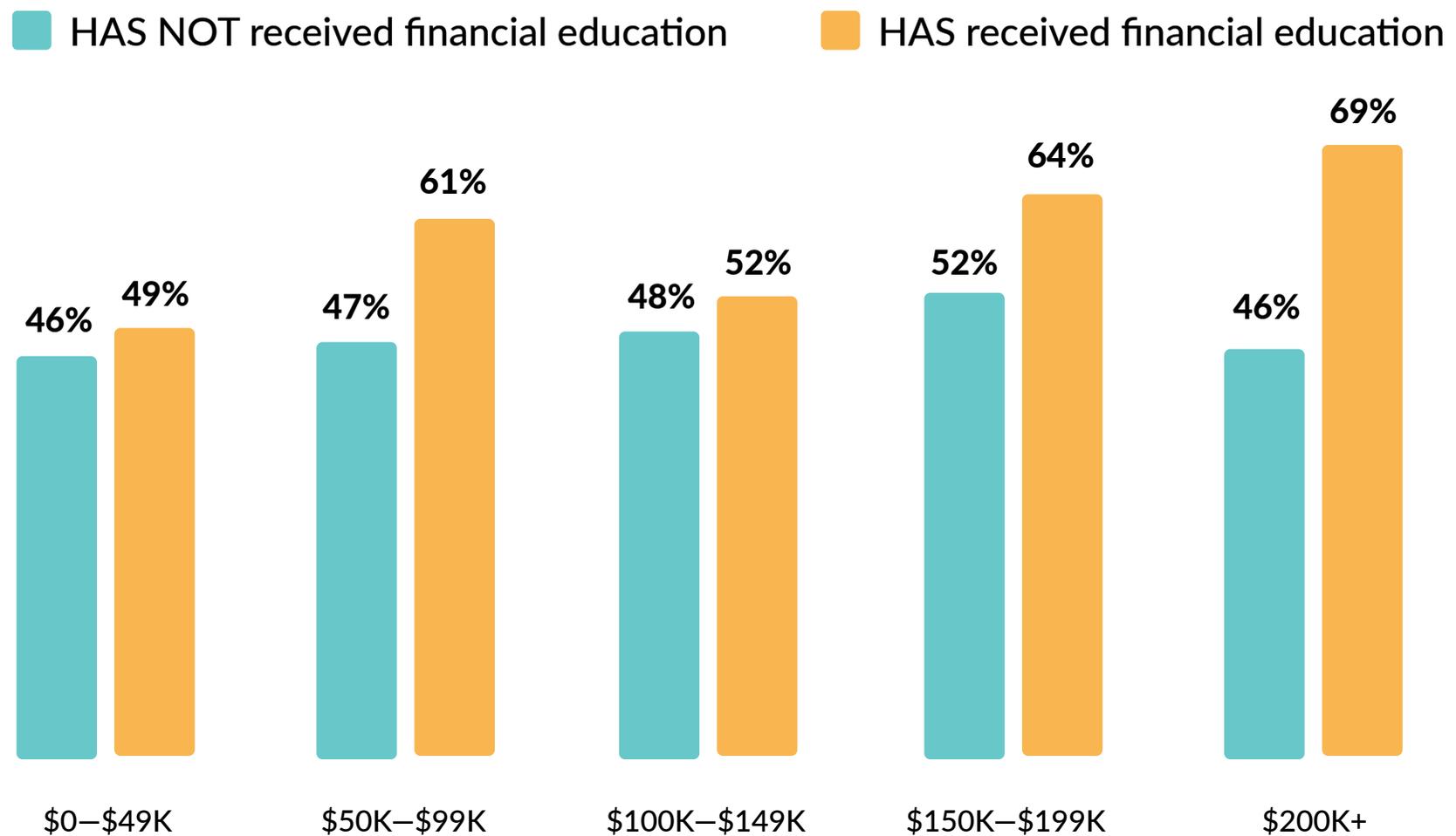


55% agree

Help them **achieve their financial goals**

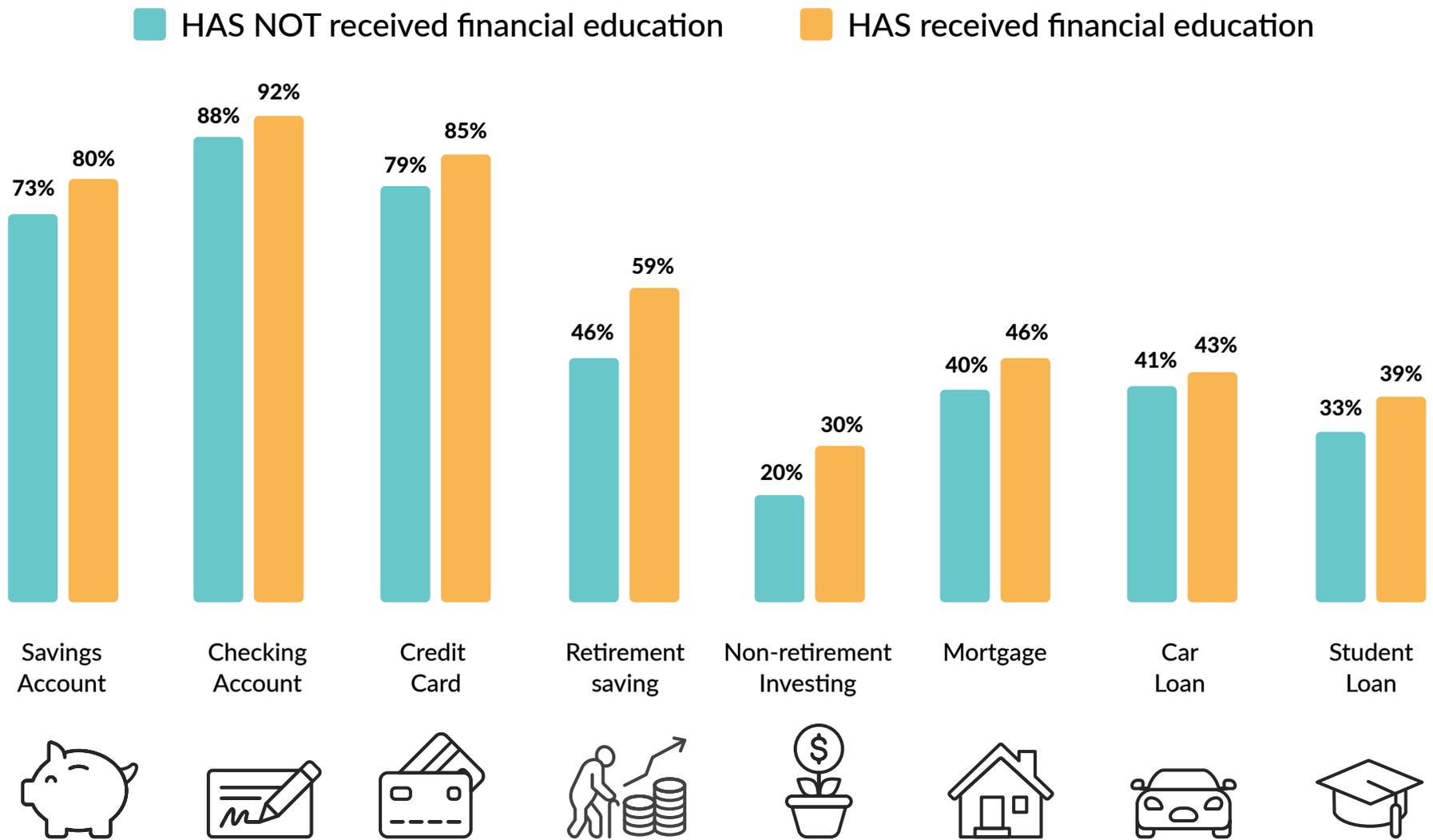
When it comes to comfort engaging with financial institutions, across all income levels there is more willingness to engage among consumers who had financial education in the past. **Financial education can be an effective tool to help increase consumer engagement with financial institutions and open up productive conversations between consumers and their bank or credit union.**

Willingness to engage with financial institutions, by experience with financial education



An added benefit—consumers who have received financial education in the past are more likely to report that they currently have a variety of bank products. Across all eight financial products discussed in the survey, consumers who had received financial education in the past were more likely to have a financial product today. This difference was particularly pronounced for wealth-building products like retirement savings accounts (29% more likely to have), non-retirement investment accounts (48% more likely), and mortgages (16% more likely).

Financial products held, by experience with financial education



Conclusion

A sizeable share—45 percent—of banked consumers do not feel control over or satisfaction with their current financial situation. Yet many also believe financial resources, education, tools, and advice from their financial institution can **help** them reach their goals.

The top barriers for consumers to engage with their financial institutions are:

- 1. being unsure what questions to ask**
- 2. not knowing the financial "lingo"**
- 3. concern about understanding answers to questions**

These point to huge opportunity for financial institutions to improve their approachability. Fortunately, banks and credit unions can address this approachability gap, including with effective and engaging financial education.

Consumers who've had financial education are more likely to feel financial satisfaction, be comfortable engaging with their bank or credit union, and hold wealth-building financial products. Financial education provides institutions with a valuable tool to overcome the approachability gap. This gap may be lessening the impact of other consumer acquisition efforts. Financial education offers a win-win: improving consumer well-being and enabling engagement with financial institutions.

EVERFI powers online, personalized financial education for more than 900 institutions. Get in touch to see what we can do for you.

everfi.com/financial-education

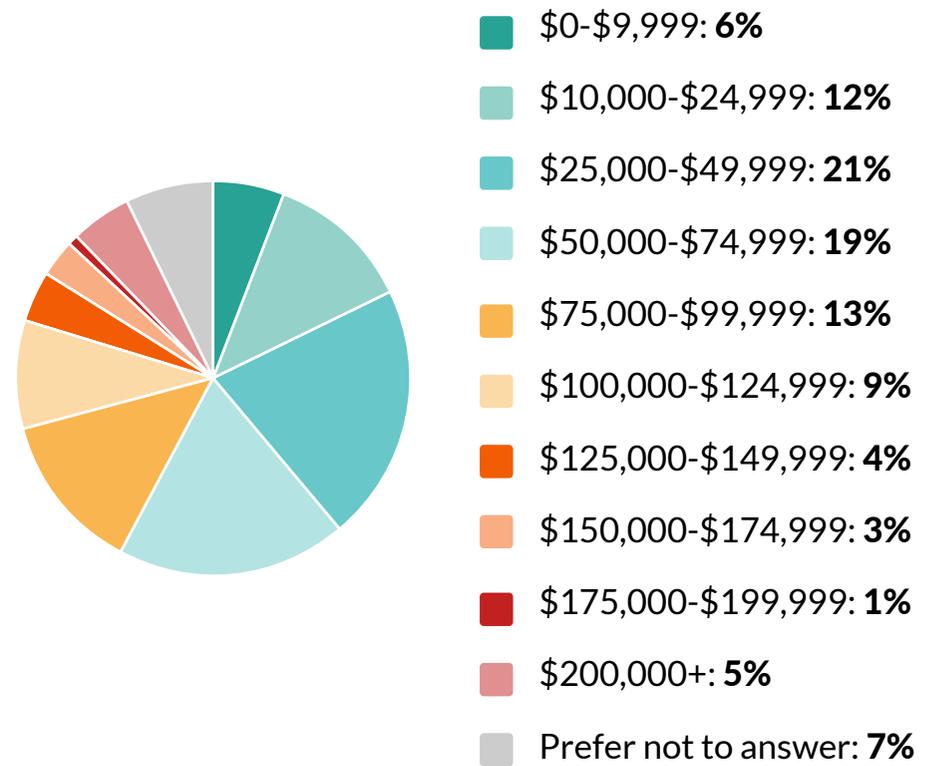
About This Report

This report is based on a consumer survey conducted on November 13 and 14, 2019. Findings reflect responses from 1,310 consumers who have at least one account (savings, checking, credit card, retirement, investment, mortgage, car loan, or student loan) with a financial institution.

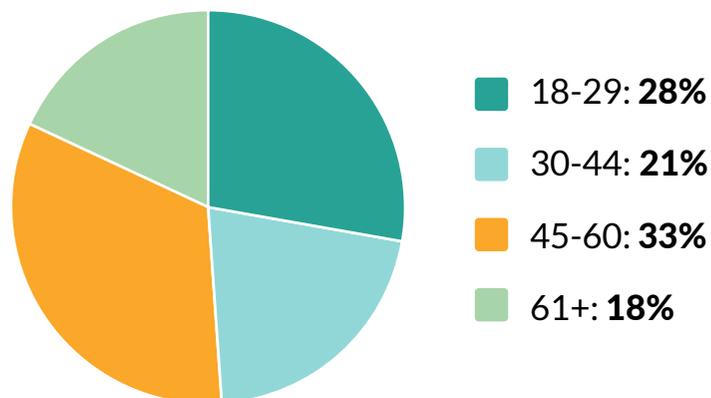
Respondent demographics approximate those of the U.S. adult consumer population overall.

Financial satisfaction was self-assessed, using a 10-point scale. Consumer financial well-being was assessed using the Consumer Financial Protection Bureau (CFPB) Financial Well-Being Scale (abbreviated version)⁶, which measures financial well-being, as defined by financial security and freedom of choice.

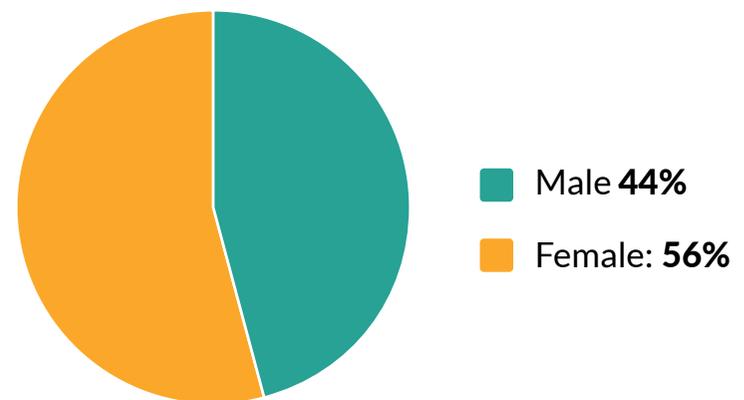
Household Income



Age



Gender



6. CFPB Financial Well-Being Scale Questionnaire (abbreviated form) retrieved from: https://files.consumerfinance.gov/f/documents/bcfp_fin-well-being_short-scorecard.pdf