

# The Fountain



Marlena Whitt, member relations specialist with Air Academy FCU, Colorado Springs, Colo., helps fifth-grade students in Colorado's Douglas County School District understand checking account basics.

**Develop strategies to serve more young  
people today or risk becoming an  
investment club for seniors.**

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# of Youth

JIM JERVING

Marketing campaigns to reach young people often are less than successful.

Judith Harris, in her book, "The Nurture Assumption," writes that "telling teenagers about the health risks of smoking ... is useless.... It is because adults don't approve of smoking—because there is something dangerous and disreputable about it—that teenagers want to do it."



Philip Heckman

A similar dynamic applies to marketing your credit union to potential young members. "If you try to sell financial literacy, you'll fail," says Philip Heckman, director of youth programs for the Credit Union National Association (CUNA). "But if you offer independence, self-reliance, decision making, and self-support—all very important to teenagers—you'll have a good chance of success."

CUNA's youth initiatives—ranging from Thrive by Five to the online *Googolplex: The CU Guide for Student Moneymakers* to Guides to Independence—focus on interactive activities surrounding financial decision making.

Reaching out to young members is necessary for growth, or American credit unions risk becoming investment clubs for seniors. But the average credit union member continues to get older. In the mid-1990s, the average age of adult members was 42. By May 2004, that age increased to 47, notes Jon Haller, CUNA's director of market research.

Even more troubling: In 2002, 18- to 24-year-olds made up 10% of credit unions' membership. In 2004, that percentage dropped to 5%, according to "Exploring Members & the Credit Union Brand," published by CUNA. "There will be a continuing graying of the membership for another five years, if you look at U.S. Census estimates. Before the large group of generation Y [12- to 24-year-olds] enters its prime borrowing years, credit unions will feel the pain," maintains Haller.

## Serve a lucrative market

Credit union remedies for the pain include strategies and programs to attract youth that are as diverse as the members credit unions serve—school branches, clubs, special events, and services.

While boards and management typically support youth initiatives, there's a lingering perception that young adults are high-transaction, high-cost, and unprofitable members who stay with the credit union only a short time, says Haller.

But as any parent of teenagers will attest, many young people have more disposable income than their parents. According to Michael Wood, vice president, Teenage Research Unlimited, Northbrook, Ill., 12- to 19-year-olds spent \$169 billion on themselves in 2004.

"If you price your products effectively, this can be a profitable segment," says Mark Meyer, director of innovation, Filene Research Institute, Madison, Wis. "Filene research shows that teens can spend as much as \$70 to \$90 a week."

Bring this data to the credit union's leadership. "With the average adult age of credit union membership at 47, it's important to explain to your board that fewer members are in their prime borrowing years," Meyer adds. "Credit unions need to go after younger members. It's good business."



Mark Meyer

## Extend a broad reach

Go after the youth market with the broadest reach possible, maintains Rachel Parent, community education specialist, Vantage Credit Union, Bridgeton, Mo., and chair of the National Youth Involvement Board (NYIB). That means your efforts to attract these members must involve "more than fun and

## FOCUS

- ▶ **CU demographics** show members are getting older and fewer young people are joining CUs.
- ▶ **Research** on young members is the only way to know what they need and how to serve them.
- ▶ **Children** age 12 to 19 spent \$169 billion on themselves in 2004.

games," she says. "Offer them the entire package of products and services, and include financial education. These young people already are part of your credit union—or you want them to be—so don't neglect the opportunity to teach them financial responsibility."

In light of banker attacks and legislative battles, make sure you publicize your youth initiatives, she advises. "Share your programs and strategies with your league, NYIB, and local media. Youth initiatives are part of the credit union difference. It's vital to make this difference known."

Attract young members with desirable products and services, such as credit cards with a reasonable credit limit—ranging from \$200 to \$500. And be prepared to increase the credit limit as members establish a payment history or their financial situation improves.



Rachel Parrent

Additional strategies include charging low or no service fees, free checking, and partnering with parents to recruit young members. Internet banking, electronic bill payment, automated teller machine (ATM) access, e-statements, and student loans also are popular.

Keep in mind, however, that financial institutions rarely are considered fun destinations for young people. Community One Federal Credit Union, Las Vegas, conquered this roadblock by working with schools to reach young members. Las Vegas, one of the nation's fastest growing cities, has a school district that can't keep pace with population growth. The school district pairs businesses with schools at risk.

Community One Federal paired with Gibson Middle School, where 1,300 students are housed in a building designed for 600. The credit union hosted the school's national junior awards ceremony and supplied gift certificates students could redeem at local bookstores.

"Teachers always are looking for assistance, and many of our staff help," says CEO Alan Pughes. "Several of our teen members serve as student mentors. Plus, we provide cash, volunteer time, and fun field trips. We even pay for basketball uniforms."

The \$170 million asset credit union also sponsors the Club Community One with two groups of members: five- to 12-year-olds and 13- to 17-year-olds. Each group has a Web site and newsletter: *Moneybags* for the younger group and *CU Succeed* for the older group. Community One Federal has 1,116 members in both clubs and \$1.8 million on deposit.

Maintaining two clubs underscores the importance

of providing age-appropriate services. Most credit unions' clubs segment young members and provide services and products tailored to specific age groups.

### Develop community clubs

Clubs specially designed for young members develop a sense of community and provide special benefits along with financial education. Credit union awareness and membership benefits typically are low among young people. CUNA research shows three-fourths of eligible members age 18 to 24 are "not very or not at all familiar" with credit union services, Haller notes.

The \$302 million asset Mazuma Credit Union, Kansas City, Mo., sponsors two clubs for young members. Members 12 years old and younger can join the "Money Bunny" club. Members 13 to 17 years old are eligible for the "fyi Only" club.

Money Bunny club members, with 3,400 participants, join the credit union with a \$5 savings deposit. With each deposit, club members receive "Mazuma Bucks," incentives they save or redeem for prizes. They also receive the quarterly newsletter, *Bunny Business*, and invitations to special events.

The "fyi Only" club guides young investors through the basics of money management. Members receive benefits adult members would envy: young investors' share certificates, free checking accounts, and ATM cards with unlimited free transactions at Mazuma's ATMs.

Mazuma's "Wireless Teller" has special appeal to young members. Members in the "fyi Only" club access account information through a digital phone or personal digital assistant. They can transfer money from one account to another and set up calendar notifications on a digital phone.

"Research on young members is essential," says Lindsey Praechter, marketing project lead for Beyond Marketing, the Lenexa, Kan.-based credit union service organization that developed Mazuma's youth programs. "Set up an advisory panel. Before writing their newsletter, ask teenagers what interests them. Get teens to review articles. Use language appropriate for the age group."

### Run a high-school branch

Air Academy Federal Credit Union, Colorado Springs, Colo., opened three high-school branches in 1995. The student-run branches offer limited hours, usually in the morning before school and during lunchtime. Students

Erie Community CU youth activities and services include cash giveaways during National CU Youth Week, a Bowl for Kids Sake fund-raising event for employees and their children, and coin-counting assistance. ►

are credit union employees and work at the main branch on weekends.

Services include check cashing, withdrawals, deposits, money transfers, and car loan payments. Schools are a natural place to reach young members, says Glenn Strebe, CEO of the \$280 million asset institution.

First, schools always need people to help, he says. "And they're looking for opportunities to teach financial literacy because most parents or schools aren't teaching personal finance."

Air Academy Federal gives presentations to all age levels, from kindergarten to the Air Force Academy. As members graduate and move on, "they may not use our credit union," Strebe says. "But from an industry standpoint, maybe they'll join another credit union, and we all benefit."

The \$189 million asset Synergy One Credit Union, Manassas, Va., operates the Tiger Branch, located within the Brentsville District High School. It's open two hours during lunch periods, roughly every other day. Its location is accessible—right across from the cafeteria—and the business teacher manages the branch.

The Tiger Branch offers all services available at the main office, including a one-year youth savings certificate with add-on increments of \$20. The account currently pays 25 basis points less than a regular certificate—a 2.5% annual percentage rate. Young members also receive free checking.

Members 13 to 17 years old may be eligible for a Visa credit card, with income verification and a co-signer such as a parent or legal guardian. The application process also requires a 30-minute, one-on-one counseling session with a loan officer. Members receive a certificate upon completion.

Members of the Tiger Branch also become members of the "boom! Club." As of May 2005, the club had 3,014 members, up from 1,832 in 2002.



Glenn Strebe

Student workers receive minimum wage. If they work at the main branch during busy times, they receive peak-time wages. At the end of the first semester this past school year, the branch opened 23 new accounts with \$17,900 in deposits.

Part of Synergy One's strategy was to find partners. "It's better to partner with established youth organizations," says Patty Browne, Synergy One's community relations officer. "Find a product that fits an age group and take it to schools, church groups, and boys and girls clubs."

Browne believes it's important to build rapport with the school and determine both school and credit union goals. "Are both parties in agreement? What will the credit union provide? What will the school provide?"

Sandi Carangi, vice president of marketing for \$80 million asset Erie (Pa.) Community Credit Union, agrees that developing good relationships with schools is essential. "It's difficult to get into schools. It's time-consuming and you need various levels of approval."

Carangi gives school presentations on the importance of saving "anytime we get a request," and she distributes \$5 coupons students can redeem when they open a credit union account. She also talks about the financial aspects of running a business and credit unions' role and benefits.

Erie Community partners with the Erie Otter Hockey Team of the Ontario Hockey League. Students receive tickets to hockey games as a reward for academic achievements.

But perhaps the best partnership the credit union





From left, student tellers Destiny Wilson, Kimmy Anderson, and Misha Lee at the April opening of an Air Academy FCU high-school branch. The young adults continue to work at other Air Academy FCU branches since they graduated last spring.

can develop is with parents. “Get parents involved,” says Carangi. “Let them know the advantages of a direct deposit into their kid’s account every paycheck. It’s an easy way to save for college.”

### Open a youth CU

Madison, Wis.-based CUNA Credit Union, \$315 million in assets, and Summit Credit Union, \$605 million in assets, sponsor a credit union for members of the local Boys and Girls Club.

STAR Credit Union opened its doors in May 2005 within the Boys and Girls Club and serves a low-income population. Both CUNA and Summit credit unions fund STAR’s operations, which include a staff member who works 20 hours a week. STAR offers only savings accounts but at 2% to 3% higher than a regular share account and with a limit of \$500.

STAR has an adult board of directors, an advisory board of young members, and marketing and finance committees. The credit union’s mission is to “instill

financial literacy and responsibility among the members,” says CUNA Credit Union CEO Kim Sponem.

“We teach about financial services, the importance of saving, how money works, developing a résumé, and running a business.”

Research shows that \$300 in savings can help someone avoid the payday lenders that dot the south-side neighborhood in Madison, according to

Sponem. “We teach members the value of a good credit rating, what a credit union is, and what it offers.”

### Attract young employees

If you want young members, provide an inviting environment and hire young employees—an obvious notion credit unions often overlook. Many credit unions point to tellers as evidence of youth in their staff ranks. But all levels of the organization need youth representation.

FORUM Credit Union, \$836 million in assets, developed a culture that attracts both young employees and members. It tripled the size of its administrative offices in Indianapolis to include a recreation room with a plasma television, satellite television channels, theater seating, a pool table, air hockey, and foosball. The recreation room connects to the break room, and it’s not uncommon for employees to shoot a game of pool or play foosball during lunch breaks. Employees can reserve the recreation room for special events.

“We’re making it attractive for high-tech, young people to work for us,” says Doug True, senior vice president of lending and technology. “On weekends, employees bring their families to play pool or watch a movie in the recreation room. It’s a place to hang out.”

Younger members prefer different services and information channels than older generations. If your 16-year-old friend has an ATM card, you’ll want one, says Air Academy Federal’s Strebe. “ATM access and debit cards are huge status symbols.”

Meadows Credit Union, \$145 million in assets, Arlington Heights, Ill., understands the attraction technology and the Internet have for young adults. Its field of membership includes members of The Meadows Association of Electronic Services, so long as they have an e-mail address.

With direct deposit, the credit union offers free e-statements, e-checking, automated clearinghouse, and debit cards.

Proof of the credit union’s popularity among young members: The average age of new members is about 31, says John Antos, vice president of marketing.

Keep in mind that family membership is a credit union advantage, CUNA’s Heckman points out. It makes sense to draw in members at an early age with a progressive series of services starting at birth.

“Why wait until you have to compete for young adults’ business?” he asks. “Kids develop a brand preference at an early age. Make the credit union brand attractive to them then.” ☉



## RESOURCES

### ► CUNA, [cuna.org](http://cuna.org):

1. Youth education and programs: Scroll to “Initiatives,” then click on “Thrive by Five/Youth Education.”
2. “Exploring Members and the Credit Union Brand,” a research report available as a PDF: [advice.cuna.org](http://advice.cuna.org), and select “Reports.”

### ► Filene Research Institute, Madison, Wis.: [filene.org](http://filene.org).

### ► National Youth Involvement Board: [nyib.org](http://nyib.org).

### ► Teenage Research Unlimited, Northbrook, Ill.: 847-564-3440 or [www.teenresearch.com](http://www.teenresearch.com).