



CUNA
MUTUAL
GROUP



truSTAGE®

RESEARCH REPORT

WHAT MATTERS NOW™

Insights From Millennials

OVERVIEW

In 2015, CUNA Mutual Group and TruStage™ launched What Matters Now™, an ongoing consumer research program designed to give credit unions key insights on specific market segments. In 2015, the research focused on middle-income consumers, aged 30-70, with an annual income between \$25,000 and \$100,000; the 2016 report took a closer look at the highly valuable Millennial segment, defined as those ages 18-34, with household incomes ranging from \$25,000-\$100,000.

Although the research found the Millennial segment relatively difficult to pigeonhole, there were a number of commonalities: Millennials tend to be optimistic—though worried about their finances; are more likely than older consumers to purchase a car or home in the near term (especially if they were parents); are attracted to mobile banking; and know little about the credit union difference. Millennials also know that their financial acumen is limited and are looking for help in this area. These characteristics, plus the fact that Millennials recently overtook Generation X as the number one generation in the workforce, make this segment an invaluable credit union target.



A snapshot of this year's What Matters Now research methodology



KEY RESEARCH TAKEAWAYS

CONSUMERS IN GENERAL WERE MORE OPTIMISTIC THIS YEAR

In the 2015 What Matters Now research, nearly two-thirds of those who participated (62%) reported they worried about their family's financial stability on a daily basis. In findings for the 2016 report, this dropped down to 52%. What drove the improved numbers? Consumer confidence. Economic growth was up by 2.4%,¹ unemployment was at a seven-year low,² 2015 set a new record for car sales—17.5 million cars sold, a 5.7% increase over the previous year³—and the Nielsen Consumer Confidence index jumped almost 19 points between Q2 and Q3, a 10-year high for the index.^{4, 5}

This confidence was also evident in one important metric measured by the What Matters Now research: definitions of success. In the 2015 research, “financial stability” held third place for middle-income consumers’ definition of success; in this year’s findings, this had moved to sixth place, indicating a lower level of financial concern.

MILLENNIALS MAKE UP THE LARGEST PERCENTAGE OF THE WORKFORCE—AND HAVE INCREDIBLE BUYING POWER

Today, 25% of Americans are aged 18-34⁶ and this segment recently overtook Generation X (aged 35-50⁷) in making up the largest percentage of the work force: they now represent roughly one in three of all employees.⁸

This mirrors the impact they have in terms of purchasing power. Today, Millennials are directly responsible for more than \$200 billion in direct purchasing and impact roughly \$500 billion in spending.⁹

MILLENNIALS AREN'T "ONE SIZE FITS ALL"

Although there's a tendency to lump all members of the 18-34 year-old segment into one group, in reality they're quite different and don't tend to define themselves as "Millennials."¹⁰ Some are single, others are married. The majority live independently. Some have children, others don't. Their priorities and lifestyle tend to be determined by age and parenting status.

For instance, those who are 30-34 are more likely to live with a partner, think family time is important, and be worried about retirement savings. Those under 30 are less likely to live with a partner, typically don't have a car loan or mortgage, and worry about paying off their student loans.¹¹ And parenthood has an impact on a variety of behaviors (see below).

MILLENNIALS ARE MORE CONCERNED ABOUT FINANCIAL STABILITY THAN OTHER AGE GROUP

Although What Matters Now research found middle-income consumers in general were less worried about financial stability this year than last—as evidenced by the 10% drop in daily concern in this area and the fact that it moved out of the top five in terms of defining success—finances are a top-of-mind issue for Millennials. "Financial stability" is the third most common element cited when defining success and, according to What Matters Now research, 66% of this segment worry about their finances on a daily basis.

“I feel like my stress level is directly tied with financial stability. At this moment, our finances hold us back from more meaningful goals.”

Laura, age 33
What Matters Now
research participant



Millennials' Definitions Of Success

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

DEBT IS A BIG CONCERN—BUT NOT ALL MILLENNIALS ARE AFRAID OF IT

Millennials are worried about their debt—and no wonder, as they have nearly \$48,000 of liabilities on average.¹² But do all Millennials feel the same way about that debt? While the levels of car and home financing had been lower for this generation than those previous for a period of time, those numbers are on the upswing.¹³ The What Matters Now team suspected Millennials' feelings on this issue fell along a continuum and dug deep to investigate. Research showed the same level of variability of other categories: while some Millennials wished to avoid additional debt as much as possible, others saw it as a tool to achieve important long-term goals.

MOST MILLENNIALS AREN'T FINANCIALLY LITERATE BUT THEY'RE WILLING TO ASK FOR HELP

One reason why Millennials struggle with debt is because they understand so little about it: A study by Filene Research Institute found that only 8% of Millennials could answer five basic financial literacy questions correctly.¹⁴ On the plus side? This segment isn't too proud to ask for advice. What Matters Now research found the vast majority of those interviewed (84%) would like advice or guidance when it comes to financial decisions.

PARENTHOOD DRIVES A VARIETY OF BEHAVIORS

A perhaps surprisingly large percentage of Millennials are parents: 46%.¹⁵ And being a parent is a key indicator when it comes to number of different behaviors including the following:

ACTIVITY	% OF MILLENNIAL PARENTS	% OF MILLENNIAL NON-PARENTS
Buy a house in the next year	22%	7%
Buy a new car in the next 18 months	37%	22%
Researches financial products/services online after hearing about on TV/radio	30%	12%
Made purchase due to brand/business posting on social media	61%	48%
Couldn't get by without cell phone	75%	63%
Emergency savings #1 priority	67%	53%
Living paycheck to paycheck	65%	55%
Largely optimistic: life is moving forward	70%	58%

Sources: The Futures Company and TGI 2015 and TruStage What Matters Now™ Consumer Survey 2015

GEOGRAPHY MATTERS, SOMEWHAT

There are some subtle and not-so-subtle differences depending on where a Millennial lives.

GEOGRAPHIC AREA	FINDINGS
West	<ul style="list-style-type: none"> • Most likely to have family/friends ask for and trust their financial advice • Most likely to identify “feeling content/happy with who I am” as definition of success • Religion less important
Northeast	<ul style="list-style-type: none"> • Most time online weekly (23 hours average) • Most responsive to social media • Least likely to be familiar with credit unions
South	<ul style="list-style-type: none"> • Most likely to include “strong relationship with God” in definition of success • Most likely to use mobile device to read magazine • Drive most miles (average 144 miles in last week as driver/passenger)
Central	<ul style="list-style-type: none"> • Most likely to trust radio and newspaper • More strongly identifies relationship with God as success

Sources: GfK Mediamark Research & Intelligence, LLC, 2013 MRI Doublebase as provided by Razorfish and TruStage What Matters Now™ Consumer Survey

MILLENNIALS ARE OPEN TO CREDIT UNION MEMBERSHIP—BUT FEW HAVE JOINED

While a large majority of Millennials (69%)¹⁶ were open to joining a credit union, the reality is that few have. Only one in four have any product or service through a credit union (credit cards, investments, or loans) and only 14% view their credit union as their primary account.¹⁷ The #1 reason given to explain this? “I don’t know much about them.”¹⁸

“Banks need to understand how busy everyone gets and I think the trend is to start doing things mobile and online... looking forward to see what they do to continue connecting with us through technology.”

Alicia, age 31
What Matters Now
research participant

ONLINE MATTERS, ESPECIALLY TO NON-MEMBER MILLENNIALS

Millennials are extremely happy to use online channels for their banking: 50% of non-credit union Millennials are comfortable using a bank that’s entirely online and 54% of non-credit union members (vs. 40% of credit union members) want to make their payments using their mobile phone.¹⁹

MILLENNIALS WANT TO OWN THEIR OWN BUSINESS

One last important differentiator was Millennials’ desire to be their own boss. Roughly 33% of respondents would like to own a business, which could either be a reflection of their lack of financial acumen or could indicate there are small business opportunities for savvy credit unions.²⁰

WHAT SHOULD CREDIT UNIONS DO NOW?

These insights offer credit unions a clear path to attracting and retaining Millennial members.

- **Provide financial education.** Millennials want and need financial advice and credit unions that deliver it will be taking critical steps toward long-term relationship building. Education in the following areas will nicely parallel Millennials’ short- and long-term needs: private student loans, debt management and consolidation, home buying, small business assistance, retirement, and long-term financial planning. In addition, credit unions should consider simplifying products and services when appropriate to reflect the needs and product comprehension levels of Millennials.

- **Align with how Millennials live.** This cohort loves all things online and, especially, mobile. They expect and demand a seamless, omni-channel experience and aren't afraid to do their banking entirely through online channels (though, that might change as they need more complex advice about things like home buying and retirement planning). Credit unions must make critical investments in online functionality, minimize or eliminate the need to come into a branch for most—if not all—functions, and meet the demands of Millennials' busy lives with things like non-traditional branch hours and locations (for instance, a mini branch at the grocery store).
- **Be where Millennials are.** Millennials rely on social media and depend on a breadth of marketing channels for research and purchasing. Credit unions should invest in the channels that Millennials use and make a full-fledged commitment to understanding and better delivering products, services, and information through social media.
- **Promote the credit union difference.** Millennials are open to the idea of bringing their business to a credit union but few really understand why they should—other than a vague awareness that they might get better rates. A study reported on by Adweek magazine found that Millennials consumers want to feel the companies they buy from are making a difference and that:
 - 70+% had purchased a product that supported a cause
 - 68% said that a company's social/environment commitment is extremely important when deciding which products to buy²¹

Credit unions must do more to educate consumers on the many ways they serve both their members (through lower rates, member-friendly loan approvals, and more) and by giving back to the larger community.

HOW WILL TruStage BE THERE TO HELP YOU?

Based on its findings from the What Matters Now research, TruStage is doing the following to ensure its products and delivery channels help credit unions effectively connect with Millennial members and prospects:

Investing in digital media

- More than \$100 million to expand media and optimize channels in 2016
- Recorded nearly one billion digital impressions in 2015
- Retargeting and prospecting digital ads
- Paid search

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Enhancing online capabilities

- Members can now apply and purchase products entirely online
- Online budget comparison tool begins with budget, not coverage amounts
- Live chat and online service capabilities available
- TruStage.com optimized for any screen

Investing in Millennial-friendly products

TruStage will soon offer a simplified term life insurance product designed to help address the fact that only half of all Millennials have life insurance and more than 40% of them only have a limited policy through their employer. This is a huge area of opportunity for credit unions.

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CUNA Mutual Group was founded in 1935 by credit union pioneers and our commitment to this trusted partnership continues today. We offer insurance and protection for credit unions, employees and members; lending solutions and marketing programs; TruStage™ branded consumer insurance products; and investment and retirement services to help our customers succeed.

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TSIP-1444633.2-0119-0221

