

The Rising Tide of Online Financial Education

Emerging financial literacy trends increase opportunities for credit unions to differentiate and grow

By Steve Royko

The recent “Great Recession” has brought with it many challenges. However, as Ralph Waldo Emerson put it, “When it is dark enough, you can see the stars.” Perhaps one of the stars shining through the recent darkness is the broad realization that there is a dire need in the United States for improved financial education. Many experts agree that significant elements of the economic meltdown, could have been avoided had the public at large been more financially literate.¹

Consumers and businesses are getting it too. A May 2009 survey found that challenges in the economy have led to a greater need and desire for financial education among consumers.² In addition, a recent study conducted by the Personal Finance Employee Education Foundation suggested that for every \$250 an organization invests in quality financial literacy programs for employees, they will receive \$750 dollars in expected return.³ This is due to decreases in the symptoms of financial stress, which include loss of focus, absenteeism, “presenteesim,” health, and poor productivity. By helping improve an employee’s personal financial situation, the organization positively impacts that person’s life. This not only helps the employee in day-to-day life, but also improves performance at work, not to mention job loyalty and the employer’s bottom line.

Use of Online Education is Growing Rapidly

A parallel trend is the rapidly growing demand for online education, which is proving to be a highly effective means of training people. A recent study conducted by the U.S. Department of Education, when comparing online education to face-to-face learning at the college level from 1996 to 2008, found that online education is more effective than face-to-face learning.⁴ The strong growth rates of online education suggest that the general public understands that online education works. A 2008 report by the Sloan Consortium found that online education increased by 12 percent in 2007 over 2006, ten times faster than the growth of standard education, which grew by only 1.2%.⁵ In addition, a Gartner Group

¹ “The Great Recession and financial literacy”, March 10, 2009, John Hope Bryant and Peter Nares, Financial Post, <http://www.financialpost.com/story.html?id=1371583>

² “Challenging Economy Drives Consumer Need for Financial Education to Achieve Life Goals”, May 27, 2009, Business Wire, <http://www.reuters.com/article/pressRelease/idUS156109+27-May-2009+BW20090527>

³ “It’s Time to Create a Financially Literate Workforce to Improve the Bottom Line”, February, 2009, Aimee D. Prawitz and E. Thomas Garman, <http://www.personalfinancefoundation.org/research/vte/Benefits-Compensation-Feb-09-Article.pdf>

⁴ “Evaluation of Evidence-Based Practices in Online Learning: A Meta-Analysis and Review of Online Learning Studies”, 2009, U.S. Department of Education, Office of Planning, Evaluation, and Policy Development, Prepared by Barbara Means, Yukie Toyama, Robert Murphy, Marianne Bakia, Karla Jones, Center for Technology in Learning, http://www.geteducated.com/images/pdfs/doe_online_education_finalreport.pdf

⁵ http://www.sloan-c.org/publications/survey/pdf/staying_the_course.pdf

study found that more companies across the country are integrating e-learning into their culture and standard training methods.⁶

It is not only the improved results versus traditional education methods that are driving the growth in online education. Increased flexibility and scalability—along with lower costs in travel, printing, personnel and facility use—are all increasing the adoption of online education.

Increasing Demand for Online and Financial Education is an Opportunity for Credit Unions

These trends bode well for the credit union industry. After all, education is a core element of the movement. As this paper will show, online financial education delivered both to employees and members has already improved productivity and increased sales for credit unions. In addition, the benefits that online financial education offers, including lower cost of delivery, increased flexibility and greater scalability, can benefit credit unions and their members.

Online Financial Education as a Driver of Growth and Productivity

Case studies of credit unions delivering online financial education to both employees and members suggest that the industry is well positioned to capitalize on these trends.

One credit union used an online financial education program targeting employees to boost its retirement readiness program. This led to a 22% increase in employee knowledge on the topics discussed. In addition, the credit union coordinated the education program with a retirement product marketing initiative that led to a 282% increase in IRA deposits over a two-year period.

The benefits are not limited to online financial education targeting employees. Member-focused programs can have a significant impact as well. One southwestern credit union used an online financial education program as part of an overall sales and service push that resulted in a 325% increase in referrals and non-interest revenue (to learn more about these case studies, go to www.educatedinvestor.com).

It should be noted that all of the above programs had one element in common in addition to the use of quality online financial education programs. Every successful online financial education program was accompanied by a strong marketing campaign (either internal or external), incentives, and follow through to not only offer a great program, but to ensure it engaged people to complete it.

All too often, some people struggle to make the time to follow through and complete the work unless there are clear goals, timelines and appropriate motivation or incentive because there is “always something more pressing.” The best, most effective programs are treated as an investment, not a cost. As a result, the appropriate resources are allocated in order to effectively promote the program and its benefits, to track results, and to provide incentives, recognition and rewards for those who participate. When these steps are taken, the participants are much more likely to follow through and reap the

⁶ <http://www.worldwidelearn.com/elearning-industry/trends.htm>

benefits they were unaware financial education could unleash. Of course, whether the participants are employees or members, they will look very favorably on the credit union that provided the education.

As the information above shows, the stage is set for a paradigm shift in terms of how we prioritize and deliver online financial education. Some credit unions are already using online financial education to not only differentiate their organizations and make a powerful impact on people, but to also to reap outstanding bottom-line benefits. The trends suggest that the opportunities for greater benefits through online financial education for credit unions, their employees and their members are only going to grow if they have the foresight to see the stars through the darkness.

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