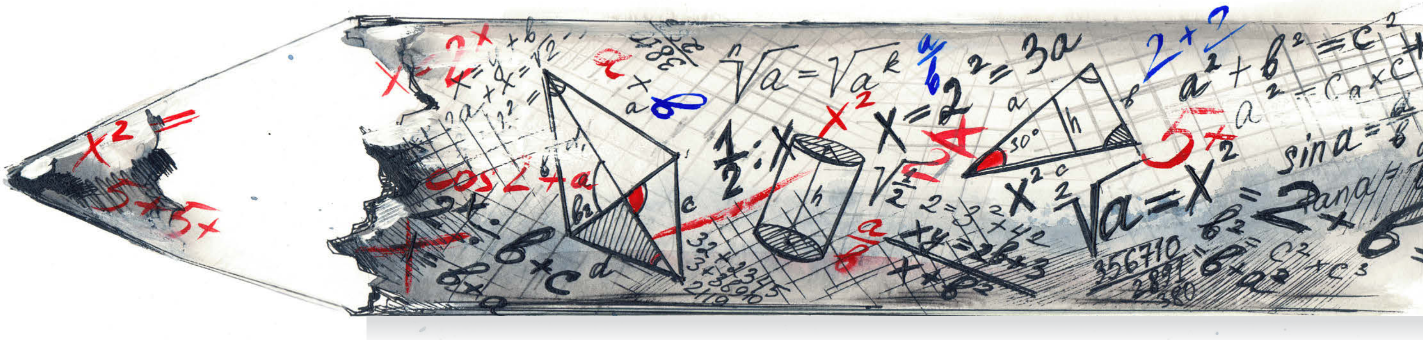

HOW THE RIGHT K-12 **FINANCIAL LITERACY EDUCATION** CAN SERVE THE PUBLIC AND MARKET YOUR BANK

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Presented By AMERICAN BANKER | SourceMedia™ MARKETING SOLUTIONS GROUP

About the Report

Many bankers are passionate about the importance of financial literacy. Done well, bank-sponsored programs to educate the next generation of customers fulfill a vital public mission, and serve as an effective channel for engendering the trust and positive recognition that can meaningfully differentiate banks from their competitors. What follows are best practices for developing and implementing a program that can generate positive results for all sides.

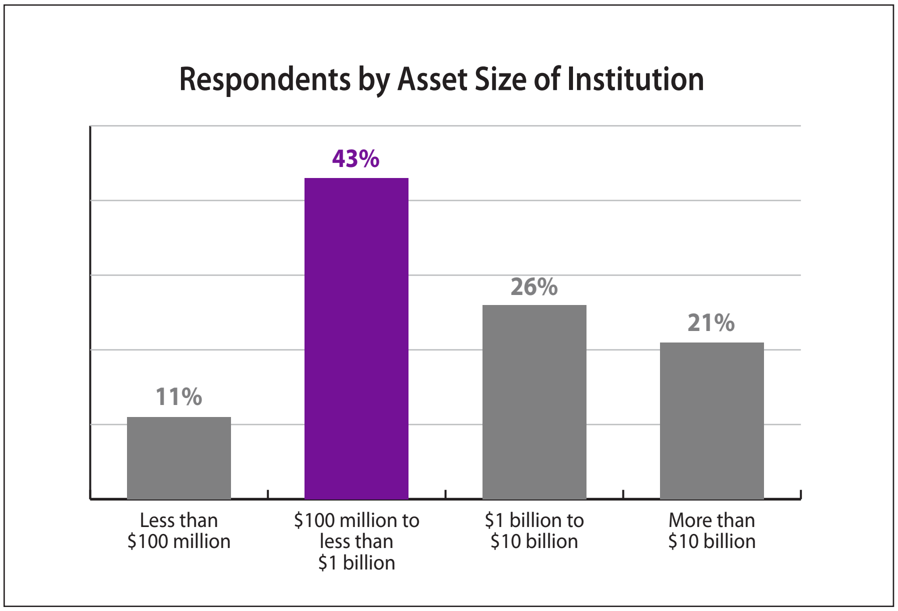
Executive Summary

Bankers believe that cultivating financial literacy within their communities, particularly among school-age children, is a fundamental part of their mission. A public with good saving, budgeting and financial planning skills and habits dovetails with financial institutions' core civic role in safekeeping deposits, providing credit to households and building wealth. With financial literacy education mostly absent from standard school curriculums, it is often up to the industry to provide it, a responsibility it welcomes both out of a sense of duty and a recognition of the opportunity to shape a reputation that has been damaged by periodic scandals and bailouts.

Financial institutions often struggle with establishing a direct business case for supporting K-12 financial literacy, however, and frequently fail to optimize the funds they devote toward educational initiatives. Experienced partners with proven records of quality school programming can be decisive in achieving positive outcomes among students and enhancing sponsors' images in the community, and programs can be tailored to drive and measure return on investment.

To better understand the industry's convictions about financial education; its level and modes of involvement; and its challenges, pain points and objectives, NTC Corporate commissioned the research unit of SourceMedia, the publisher of *American Banker,* to survey 235 executives at financial institutions with K-12 financial literacy programs. All respondents lead, manage or are otherwise involved in the K-12 initiatives at their institutions, which are headquartered across the United States, range the asset-size spectrum and include retail banks, thrifts, credit unions and investment banks (see Figures 1 and 2).

FIGURE 1



Source: *SourceMedia Research*/American Banker

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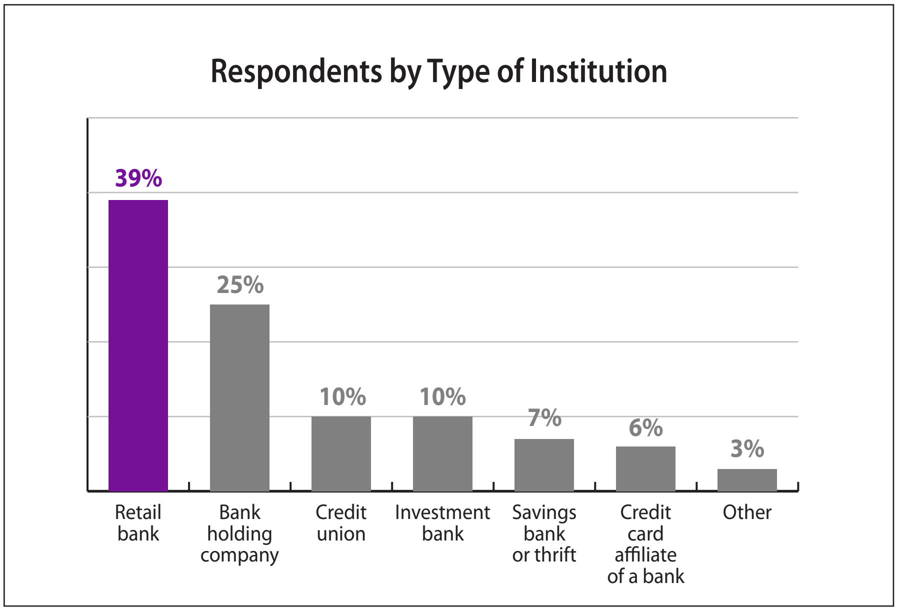
FIGURE 2



Source: *SourceMedia Research*/American Banker

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Across asset-size classes and categories of institutions, the majority of executives report that K-12 initiatives have recently gained importance at their institutions, and even more project that they will be further integrated into their missions in the coming five years, with budget increases to match. Survey responses portray an industry — from small community banks and thrifts to regional powerhouses — anxious to build trust in communities, perform a vital educational service and achieve measurable reputational improvement. This paper examines key findings in detail and provides guidance on best practices to achieve these goals.

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Cultivating Financial Literacy: An Opportunity to Shape Perceptions

Bankers overwhelmingly see financial literacy initiatives as a cornerstone responsibility. The conviction reflects deeply held altruistic impulses and a firm belief in the civic role that financial institutions play in communities by providing credit to households and serving as custodians for their savings — thereby helping them accumulate wealth, among other essential functions.

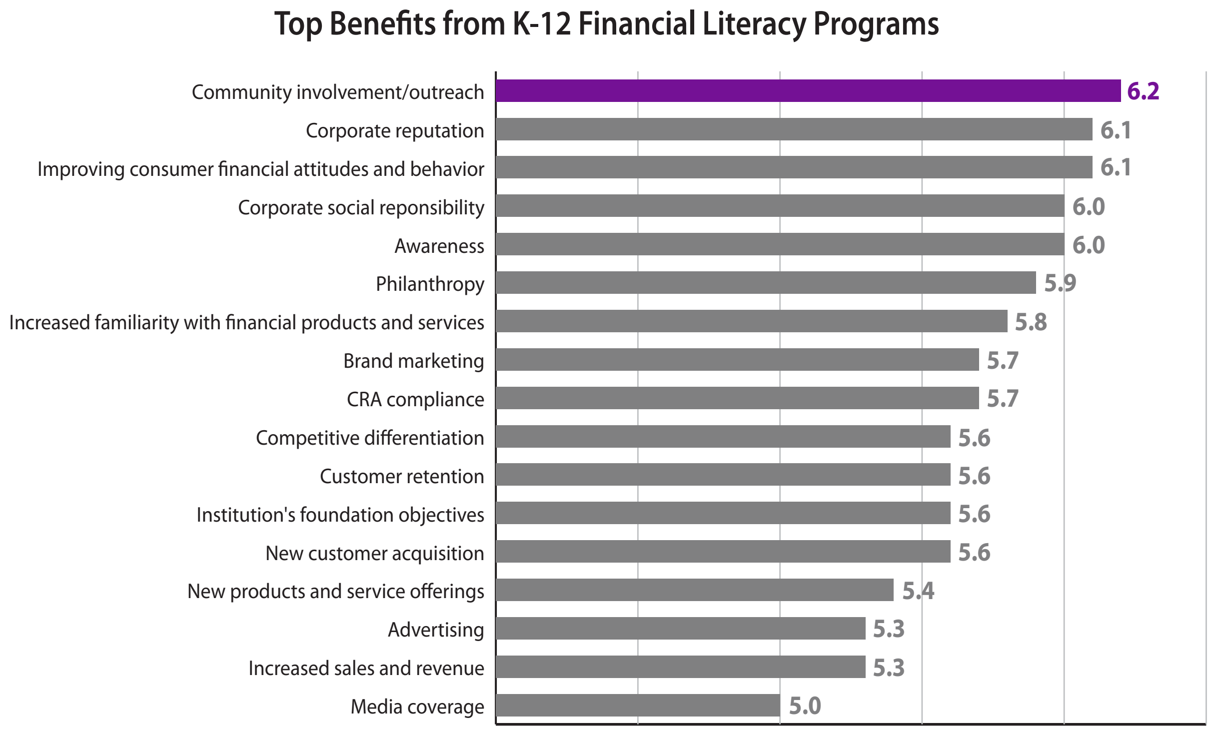
Yet, after a bruising decade in which the industry's reputation has been damaged by periodic scandals and blowback against federal bailouts, financial institutions are also motivated by a desire to improve the way they are perceived.

The centrality of financial literacy education to the way bankers think about their mission, and its increasing importance in burnishing the way the public thinks about them, came through clearly in the survey. About 77% of respondents say K-12 programs have increased in importance at their institutions in the past five years, and 83% expect them to increase in importance in the next five years.

Reported increases in spending on financial literacy programs told the same story. About 72% of respondents say their K-12 budgets have increased in the past five years, and 80% expect them to increase in the next five years. Moreover, the industry is confident that the money is well spent: 89% of executives who anticipate budget increases expect them to be effective in contributing to their institutions' success.

As financial institutions ramp up their educational activities, the intertwined goals of being responsible corporate citizens and strengthening their reputations are preeminent, executives say. When asked to assess the importance of a wide range of benefits from their K-12 programs, respondents rank community involvement, corporate reputation, improving consumer behavior and attitudes and corporate social responsibility at the top (see Figure 3).

FIGURE 3



Respondents were asked to rate the importance of the benefits of K-12 programs across a range of dimensions on a scale of 1, for "not at all important," to 7, for "extremely important." Average scores are shown.

Source: *SourceMedia Research*/American Banker

Open-ended statements about the importance of K-12 programs underscore the focus on such benefits, as respondents identify with philanthropic and civic-minded motivations. One executive says, "We exist for customers and the community. Financial literacy is a key component!" Another notes that financial literacy initiatives "breed good will."

Even though bankers are confident that their increasing commitment to financial literacy is worthwhile, survey responses show that executives feel they could get more out of their efforts, suggesting that there is room to improve the quality of K-12 programs. In particular, self-assessments of the effectiveness of K-12 programs in improving corporate reputations and consumer behavior and attitudes lag the importance respondents have assigned to those goals.

BEST PRACTICE

Invest in your financial literacy program to reflect its importance to your mission as a bank and to rebuild trust with the community.

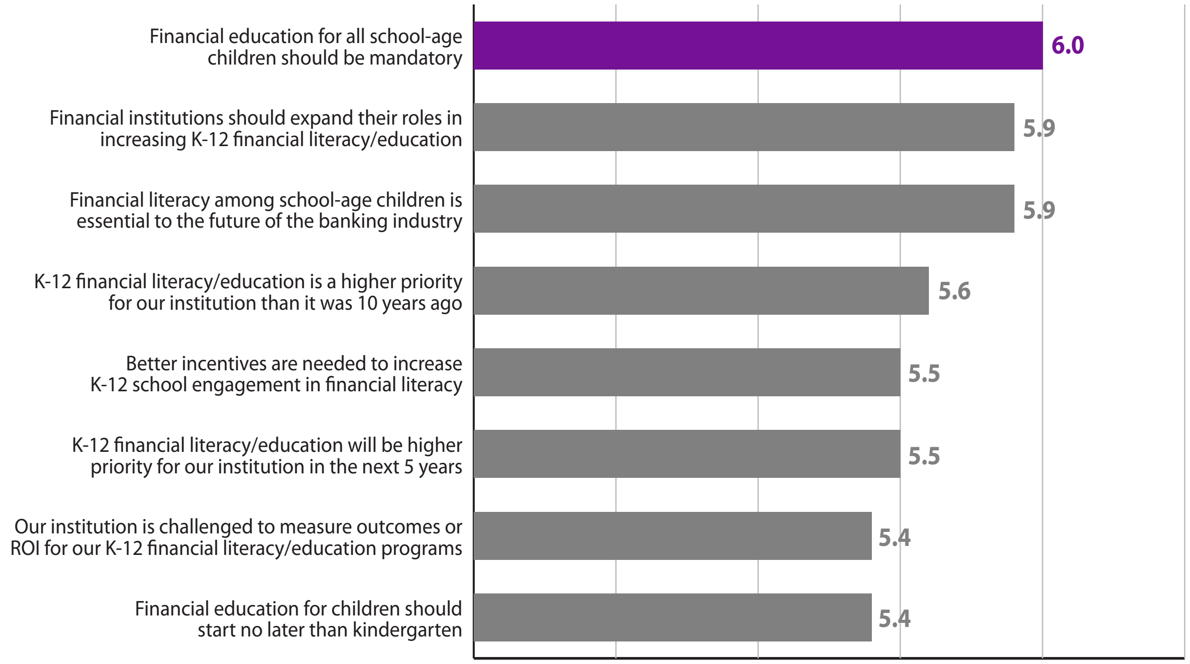
K-12 Outreach: Filling a Gap in School Curriculums and Building Credibility

Bankers' belief that cultivating financial literacy is one of their fundamental responsibilities is rooted, in part, in the recognition that they are uniquely positioned to provide it. Many teachers "don't have the skill set or resources," as one executive says.

In fact, there is nearly complete agreement across the survey pool that financial education should be mandatory for all school-age children (see Figure 4). Further, respondents are also in nearly complete agreement that financial institutions should expand their role in providing it, a conviction that echoes the concern that financial literacy is typically not part of standard school curriculums.

FIGURE 4

Perceptions of K-12 Financial Literacy Programs



Respondents were asked to report whether they agreed with each of the following contentions on a scale of 1, for "completely disagree," to 7, for "completely agree." Average scores are shown.

Source: *SourceMedia Research*/American Banker

In addition to providing a needed public service, well-constructed K-12 programs are highly effective at differentiating financial institutions and conveying that the banks, thrifts and credit unions that sponsor them are worthy of a community's trust. Like traditional advertising, educational programming serves to raise awareness of a financial institution's services and

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products, but with greater likelihood that awareness will lead to uptake, since the information flows from children to parents with the credibility afforded by delivering it as a part of a genuinely important school initiative.

While many financial institutions engage with partners to develop K-12 programs, close to 37% of respondents at both large and small firms rely on free government-supplied materials. By doing so, they forgo an opportunity to distinguish themselves from competitors and break through to communities. (Interestingly, about 25% of respondents at credit unions and 22% at investment banks rely on government-supplied materials. While those are still large proportions, they are significantly below the industrywide average.)

The quality of partners also matters a great deal. In open-ended responses, executives underscore the importance of working with organizations that have experience creating programs and deploying them in schools on behalf of their bank. In fact, executives say that finding qualified partners is the biggest challenge they face in K-12 financial literacy initiatives.

Elements of K-12 programs that executives report are widely deployed provide broad guidance about the key building blocks that are needed to make them effective. About 46% of executives at institutions with less than $1 billion in assets and 67% at institutions with more than $1 billion in assets say they sponsor live events, which can have a particularly strong impact when they effectively focus students' attention as a collective and create conditions that are conducive to instilling norms about spending, saving, borrowing, budgeting and planning for the future.

BEST PRACTICE

Work with a qualified partner to develop a strong curriculum for your financial literacy program to provide real benefit to students and to maximize the program's potency as a marketing tool.

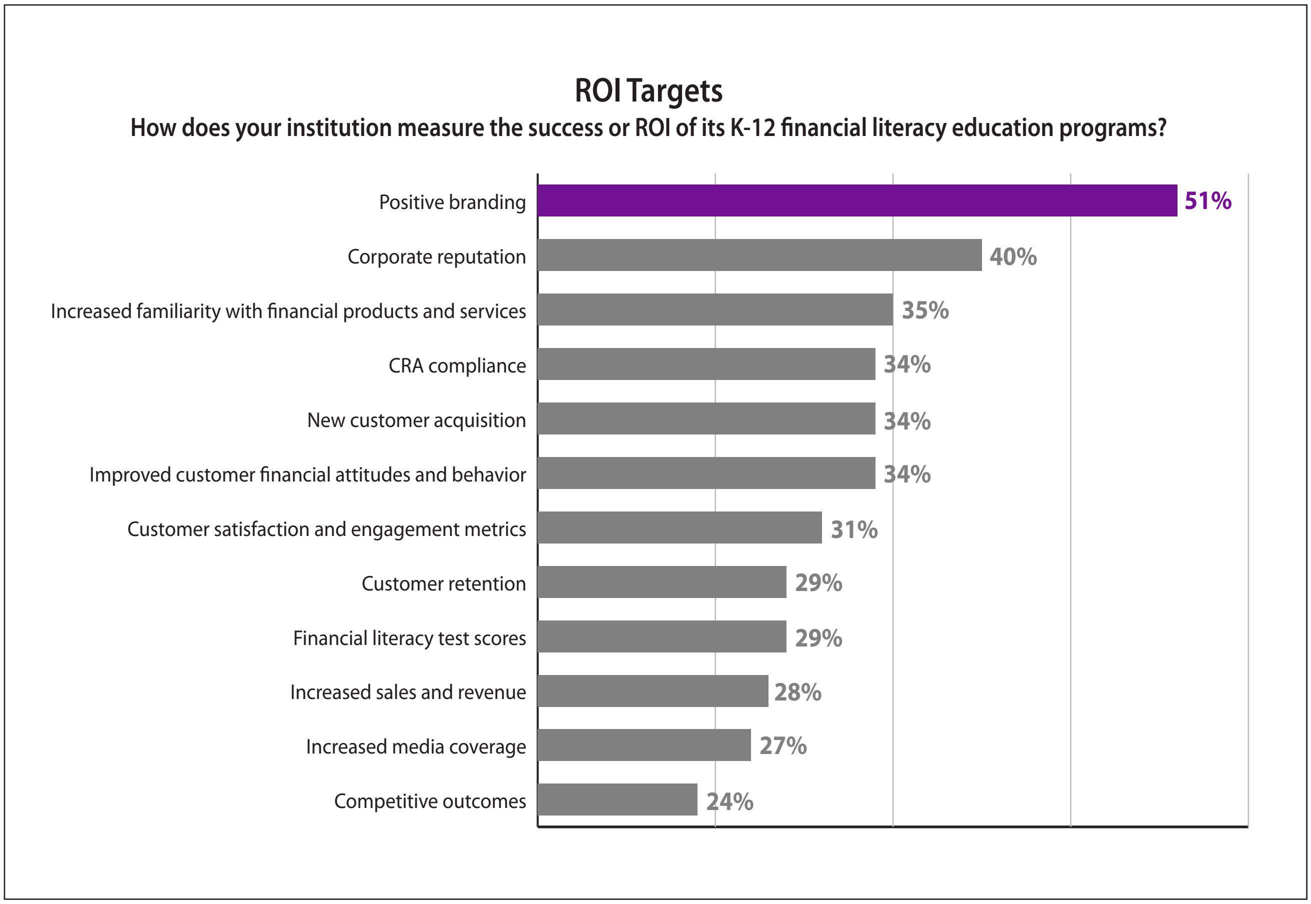
Live events are particularly memorable and effective in instilling norms about saving and budgeting

Driving and Measuring Return on Investment

One of the biggest obstacles for financial institutions interested in supporting K-12 financial literacy education is establishing a direct business case for doing so. Indeed, one-fifth of executives — and 28% of executives at institutions with more than $1 billion in assets — say that demonstrating return on investment to upper management is among their top three challenges.

By and large, executives are focused on some of the same benefits that inspired their interest in financial literacy when they seek to measure ROI, with branding and reputation at the top of the list (see Figure 5).

FIGURE 5



Source: *SourceMedia Research*/American Banker

> **The imperative to generate ROI means that financial institutions should carefully consider their approach to K-12 outreach and optimize accordingly.**

To be sure, quantifying some of the more intangible benefits from K-12 education is difficult. Nevertheless, programs can be set up to create measurable outcomes. For example, partners can create companion mobile phone apps and downloads can be tallied. Similarly, traffic to a web page with educational material after a school event can be tracked.

Moreover, the imperative to generate ROI means that financial institutions should carefully consider their approach to K-12 outreach and optimize accordingly. For one thing, as the survey results show, good partners with experience staging live events and working with schools can make the difference in providing unique programming that distinguishes financial institution sponsors from competitors.

Further, basic philosophy in what sort of resources to use in K-12 initiatives should be evaluated. For example, 44% of respondents at institutions with less than $1 billion in assets and 72% at institutions with more than $1 billion in assets say their institutions maintain employee volunteer programs. Yet employees are still paid when volunteering and may be pulled off other duties that are not as easily outsourced. Therefore, events and programs run by experienced partners can be more cost-effective.

BEST PRACTICE

- Deploy programs that are effective in delivering measurable learning outcomes. If an initiative is not educationally successful, it has no hope of advancing an institution's goals on ROI targets like reputation and branding.
- Build tools for measuring ROI into your financial literacy program from its inception to accurately capture its value and further justify your bank's investment.
- Leverage technology to help track ROI as in the examples above.
- Consider working with an experienced partner who will deliver programs branded to your bank. Employee volunteers may not be the most cost-effective — or most effective overall — way to represent the bank for in-person educational experiences such as at events.

Conclusion

For financial institutions, K-12 financial literacy education is both a core responsibility and a rich opportunity to enhance reputations and build trust in communities that can create meaningful differentiation from competitors. To ensure that funds allocated to financial literacy produce optimal educational outcomes and deliver direct business benefits, program sponsors should:

- Work with experienced partners with proven records of quality programming and deploying it in schools.
- Host live events, such as live performances, which are particularly memorable and effective in instilling norms about spending, saving, borrowing and budgeting.
- Integrate tools for measuring return on investment into your financial literacy program from its inception to accurately capture its value and further justify your bank's investment.
- Stay committed to financial literacy: It is a worthy cause and a fundamental element of financial institutions' civic mission.

Survey Methodology

The research unit of SourceMedia — the publisher of *American Banker* — conducted an online survey of 235 executives at financial institutions with K-12 financial literacy programs on behalf of NTC Corporate in November and December of 2016. All respondents lead, manage or are otherwise involved in the K-12 initiatives at their institutions, which are headquartered across the United States, range the asset-size spectrum and include retail banks, thrifts, credit unions and investment banks.

About NTC

NTC is an award-winning educational content provider whose methods include theatrical, live in-school events, print curriculum, video production, web development and gamification strategies. NTC has developed the art of teaching through educational story-telling into a science of its own, and is an international company with operations in the United States, Australia and New Zealand.

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