



Why does your bank need a community presence?

*And how can financial literacy
programs provide it?*

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We exist for customers and the community. Financial literacy is a key component!

ABOUT THE REPORT

With the rise of digital technologies and customers' demand for easy, one-touch banking, the fate of the brick-and-mortar bank has become uncertain. Why should your financial organization maintain a community presence when the convenience of mobile banking continues to grow? In partnership with SourceMedia, the publisher of *American Banker*, NTC set out to answer this question by surveying 235 executives at financial organizations that implement K-12 financial literacy programs. The results are a surprising indication that it's more important than ever for financial institutions to build positive relationships in their community. In the words of one banking exec:

"We exist for customers and the community. Financial literacy is a key component!" Read on to discover how and why financial literacy in the community could be vital for the future of the banking industry.

Financial Literacy is the Key

To better understand why financial institutions should maintain a strong presence in the community – and how financial literacy education programs can establish that presence – NTC and SourceMedia surveyed 235 executives at financial organizations across the United States. Their institutions range from less than \$100 million to more than \$10 billion in asset size, and include retail banks, thrifts, credit unions and investment banks, covering a wide spectrum across the financial industry.

The results indicate that, even as financial institutions work to perfect their digital offerings to customers, they also increasingly invest in community education programs. Across all asset sizes and types of institutions, the majority of respondents (77%) report that financial literacy programs overall have recently gained importance in the

industry. An even higher majority (89%) expect that financial literacy programs will be further integrated into their missions over the next five years.

These trends are reflected in the amount of spending allotted to financial literacy programs. About 72% of respondents say their financial literacy budgets have increased in the past five years, and 80% expect them to increase over the next five years.

What's more, 89% of respondents who anticipate budget increases believe they will be effective in contributing to their institutions' success. However, self-assessments of the effectiveness of current community outreach programs suggest that there is room for improvement to refine corporate reputation and influence consumer behaviors.

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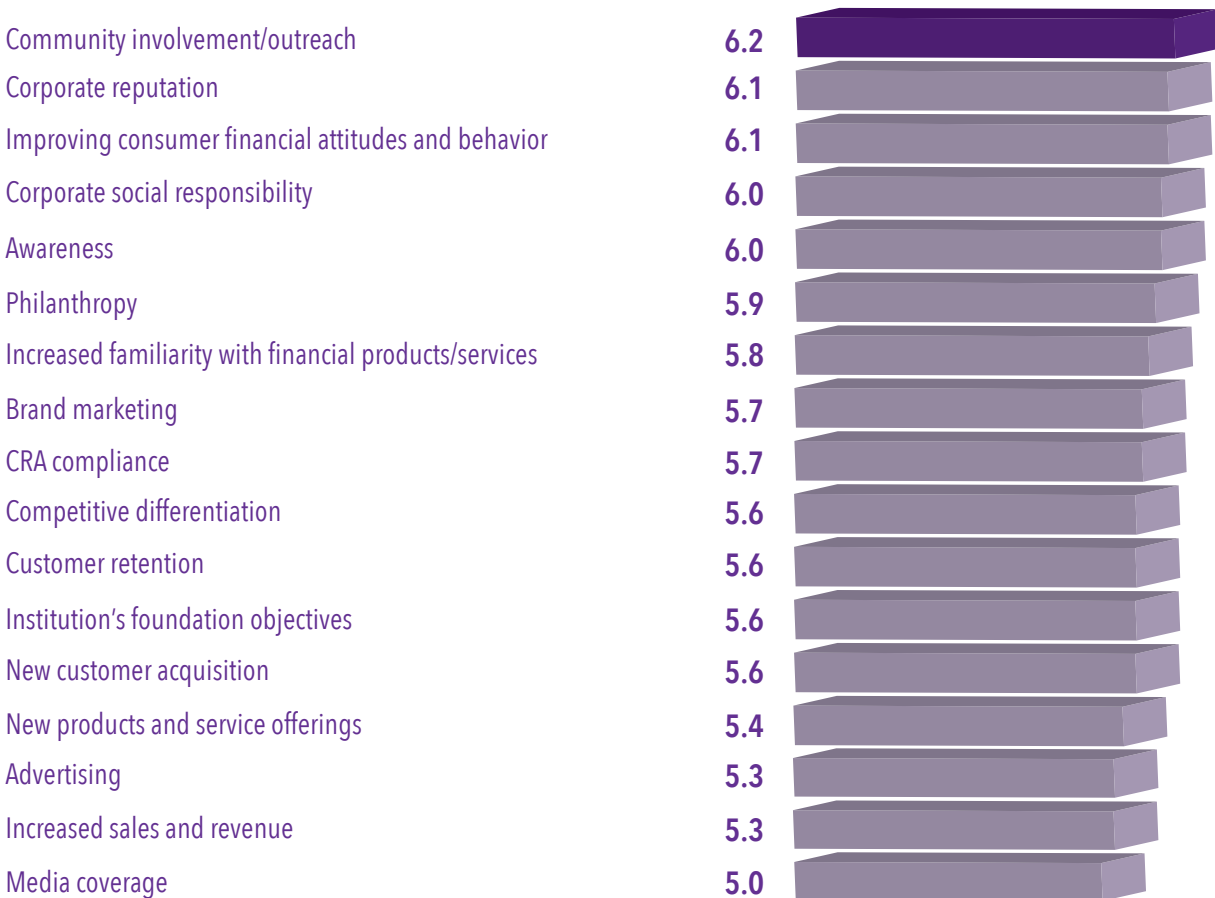
Community Education Programs and their Benefits

Responses to the survey indicate that public education programs will continue to be heavily utilized, despite (or because of) the fluctuating role of the banking institution in the community. But the question remains: what are the benefits that compel these institutions to invest in financial literacy programs?

Respondents were asked to rate the importance of the benefits of financial literacy programs on a scale of 1 (for “not at all important”) to 7 (for “extremely

important”), and offered 17 different positive benefits. With an average score of 6.2, “community involvement/outreach” was ranked as the most important benefit. Closely related were the next three highest-ranked benefits: corporate reputation (6.1), improving consumer financial attitudes and behavior (6.1), corporate social responsibility (6.0), improving consumer financial attitudes and behavior (6.1), and corporate social responsibility (6.0). See Figure 1.

FIGURE 1 TOP BENEFITS OF FINANCIAL LITERACY OUTREACH PROGRAMS



Respondents were asked to rate the importance of the benefits of financial literacy outreach programs on a scale of 1 (for “not at all important”) to 7 (for “extremely important”). Average scores are shown.

Financial literacy programs in the community are essential to the future of the banking industry.

Financial literacy and other community outreach programs, when done well, fulfill a vital public mission to educate the next generation of customers. A public with good saving, budgeting and financial planning skills dovetails with financial institutions' core civic role in safekeeping deposits and building community wealth. With effective financial literacy education still mostly absent from school curriculums, it is often up to the industry to provide it. Such information is difficult to convey in a meaningful, lasting manner through digital channels, making community events a highly effective choice for public education.

A strong community presence can also engender trust and loyalty among customers, helping to differentiate financial institutions from their competitors. Unique brick-and-mortar locations and inspiring community events make a lasting impression and provide powerful marketing opportunities,

allowing financial institutions to shape a reputation that has been damaged by periodic scandals and bailouts. As one respondent wrote in an open-ended statement, community education programs "breed good will." Another executive stated, "We exist for customers and the community. Financial literacy is a key component!"

When asked to provide their perceptions of financial literacy programs, respondents again emphasized the importance for financial institutions to provide education to the community. Overall, banking executives strongly agreed that financial education for all school-age children should be mandatory, and that financial institutions should expand their role in providing it; indeed, the majority of respondents claimed that "financial literacy is essential to the future of the banking industry." See Figure 2 for more of the dominant perceptions of financial literacy programs throughout the industry.

FIGURE 2 PERCEPTIONS OF K-12 FINANCIAL LITERACY PROGRAMS



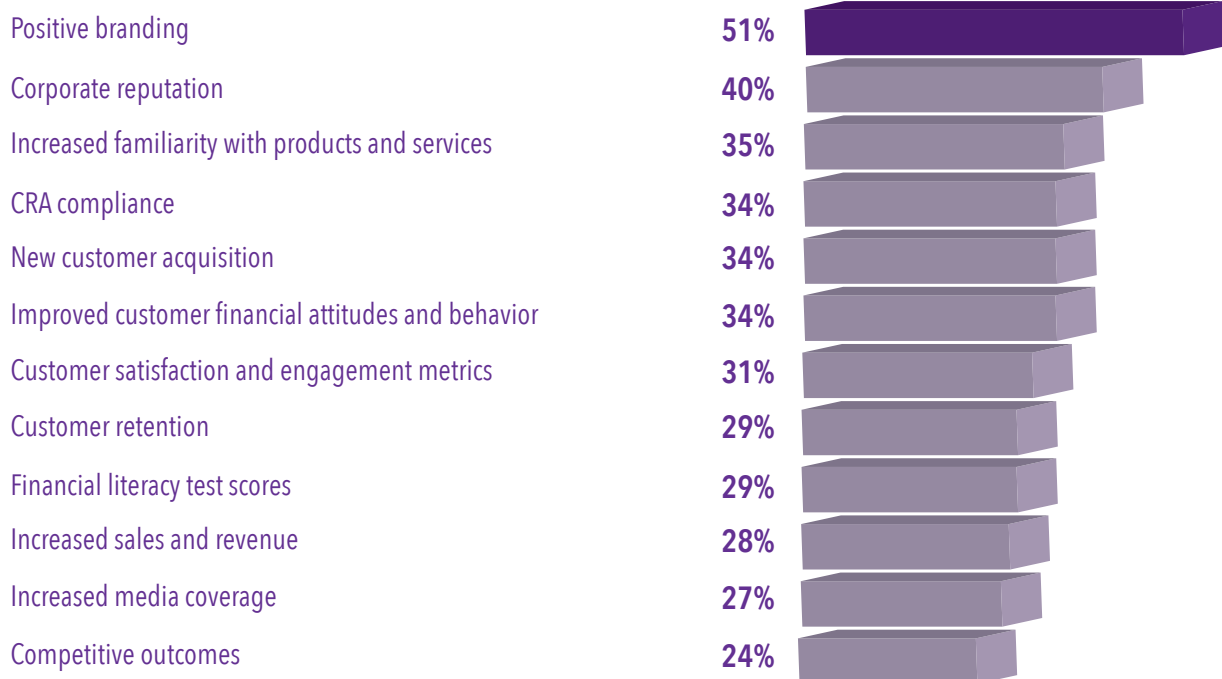
Respondents were asked whether they agreed with each of the above statements on a scale of 1 (for "completely disagree") to 7 (for "strongly agree"). Average scores are shown.

Measuring ROI on Financial Education Programs

Despite the clear importance of providing financial literacy education to the community, many financial institutions struggle to establish a direct business case for providing such programs. In fact, one-fifth of executives say that demonstrating ROI to upper management is among their top three challenges.

Generally, the ways in which executives measure ROI overlap with the benefits that inspire their interest in financial literacy, with positive branding and corporate reputation being the top two ROI targets. See Figure 3.

FIGURE 3 ROI TARGETS | HOW DOES YOUR INSTITUTION MEASURE THE ROI OF ITS FINANCIAL LITERACY EDUCATION PROGRAMS?



As respondents admitted, financial institutions frequently fail to optimize the funds they devote toward community initiatives. Of course, the specific kinds of outreach and communication matter greatly. About 46% of executives at institutions with less than \$1 billion in assets, and 67% at institutions with more than \$1 billion, say they sponsor live events in K-12 schools, which can have a particularly strong impact when they focus students' attention and inspire social norming among younger generations about spending, saving, borrowing and planning for the future.

Furthermore, since information flows from children to parents as students share their knowledge and enthusiasm, awareness leads to uptake throughout the community, leading to greater overall wealth.



Conclusion

While customer demand for one-touch, mobile banking and emergent digital technologies should not be overlooked, our survey made it clear that establishing a community presence is more important than ever for financial institutions. Investing in community outreach programs like financial literacy education can improve corporate reputation – a necessity in an industry that has faced periodic scandals and bailouts – and

fulfill financial institutions' civic duty to safeguard and improve overall wealth.

Although it can be difficult to measure ROI, providing unique outreach such as live community events can inspire positive social norming around financial attitudes and behaviors,

forming lasting connections across all generations in the community. As the vast majority of respondents agreed, financial literacy programs are essential to the future of the banking industry.

The specific kinds of outreach employed in financial literacy programs matter greatly. Live events in the community inspire social norming around positive financial behaviors and contribute to greater overall wealth.



ABOUT NTC

NTC is a premium provider of educational programming with operations in the U.S., Australia and New Zealand. We work directly between schools and clients to promote beneficial behaviors and life skills to students in grades K-12 on a local, regional or national level. Since 1978, we have formed connections and helped develop relationships between thousands of schools and corporations, nonprofits and governmental organizations. Our value is not just in the impact we create; our turnkey services also change the lives and trajectories of students, mobilize parents and entire families with beneficial messages, and cultivate community-wide goodwill for clients.

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ABOUT SOURCEMEDIA RESEARCH

SourceMedia Research provides full custom B2B research solutions for marketers, agencies and other targeting business sectors, such as accounting, banking, payments, mortgage, insurance, HR/employee benefits and wealth management. SourceMedia Research is a unit of SourceMedia, whose B2B media brands include Accounting Today, Financial Planning, American Banker, The Bond Buyer and Employee Benefit News.

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Our award-winning educational programs are provided free for schools and are customizable to accommodate specific messages and goals for clients. Through formats including live performance, in-class discussion, graphic novels, print curriculum, and digital games and activities, we present topics such as energy conservation, safety, financial literacy, STEM, water and environmental stewardship, and health and social responsibility in ways that engage and empower students. In doing so, we are helping our clients to be forces of change for students, parents and communities.

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