
FINANCIAL SERVICES INNOVATION

May 9, 2018

Agenda

- Welcome & Introductions
- Opening Activity
- Panelist Presentations + Q&A
- Activity + Discussion
- Wrap-up + Closing Activity

Context & Introductions



Doug Pawson
Director, Social Business &
Social Finance
Causeway Work Centre



Brendan Reimer
Strategic Partner, Values-
Based Banking
Assiniboine Credit Union



Eva Wong
COO & Co-Founder
Borrowell



Aliza Gutman
Senior Director
The Center For Financial
Services Innovation

Opening Activity (5 min)

Individually: Think of a client you have helped or a story you recently read

- What consumer financial challenges did you discover?
- What questions do you have about the role of financial services in helping solve these challenges?

In pairs: Share your thoughts

Financial Health: Strategic Opportunity & Competitive Differentiator

2018 ABLE Financial Empowerment Conference

Leading the Nation in Consumer Financial Health

MEMBERSHIP | CONSULTING | RESEARCH | INNOVATION

About CFSI

The Center for Financial Services Innovation is an authority on consumer financial health, leading a network of financial services innovators committed to building better consumer products and practices.

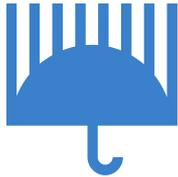


Financial Health



Financial health comes about when your daily systems help you build resilience and pursue opportunities.

Resilience



Are you prepared for the unexpected?

Opportunity



Are you able to pursue your financial aspirations?

Day-to-Day Management



Do your financial products support resilience and opportunity?

Financial Health in the U.S.

43%

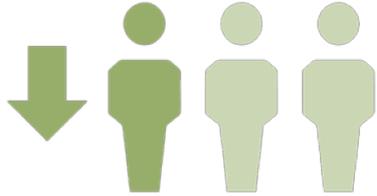
Healthy

57%

Not Healthy

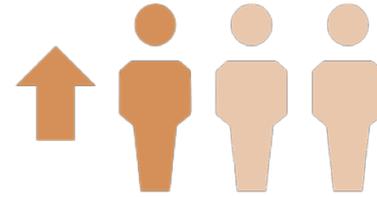
138 million people are struggling financially

Income & Financial Health



More than 1/3 of those in the healthy segments have annual income under \$60,000

Healthy



More than 1/3 of those in the unhealthy segments have annual income over \$60,000

Not Healthy

Households that **plan ahead** to make sure they have the money to pay for **large irregular expenses**

10x more likely to be in a Healthy segment than those who cannot or do not

Those whose primary time frame for **saving for the future is 5 years or more**

8x more likely to be in a Healthy segment than those whose primary time frame is less than 5 years

Those with a **planned saving habit**

4x more likely to be in a Healthy segment than those who do not

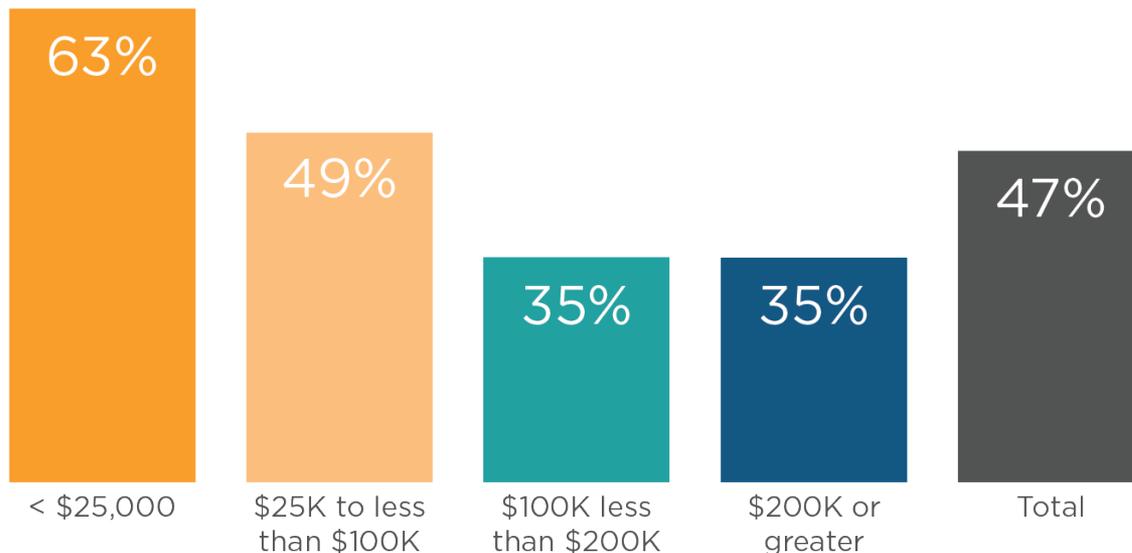
Households with **annual income** at or over \$100k

1.4x more likely than those < \$30k

Implication for providers: there is potential for FIs to impact consumer financial health, irrespective of income, by providing high-quality products and services that help customers adopt and maintain healthy behaviors.

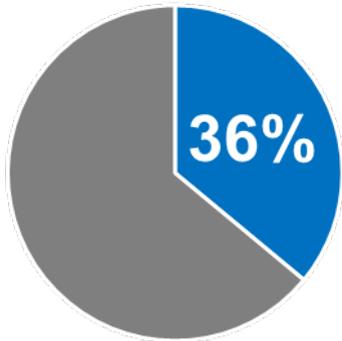
Financial stress is a major issue across the income spectrum

Percentage agree that “Money worries cause me extreme emotional stress” by Total Household Income



Business Case for Financial Health

While consumers want their financial service providers to help them make smart decisions to improve their financial health, few are finding what they seek:



Only about a third of customers believe their bank is looking out for their financial well-being.

Customers who say their bank looks out for their financial well-being



more likely to be **fully engaged**, leading to **better financial outcomes** for the FI



13% higher penetration in **credit** products & **22% higher** penetration in **investment, insurance, or advisory** products



more likely to strongly agree that their bank is the **only company they need to meet their financial needs**

Better Products & Services for All



CFSI Center for Financial Services Innovation

Five Ways to Expand the Appeal of Your Financial Technology Product

Financial technology (“fintech”) has tremendous potential – as a delivery channel for high-quality products and services – to help consumers improve their financial health.¹ While lower-income and non-White Americans are more likely to live in neighborhoods with few or no bank branches, they are more likely to rely on their smartphones as their primary method of connecting to the internet.² Yet, many fintech tools are not designed with the needs of underserved consumers in mind.

After conducting nearly 50 interviews with researchers, product owners and managers, and service providers from a range of companies and nonprofit organizations across the financial services industry, we identified the following strategies that firms are pursuing to expand the appeal of their products.

 **1. Give consumers reasons to trust you.**

Trust, security, and privacy are significant issues, particularly among underserved communities, affecting willingness to adopt fintech products. The well-documented mistrust of banks³ can extend to other types of financial organizations, and negative experiences, including identity theft, can travel through social networks as cautionary tales. According to the Bureau of Justice Statistics, 42% of households experiencing identity theft had annual incomes below \$75,000.⁴ In a nationally representative survey conducted by Pew Charitable Trusts, the most common concern about mobile payments (cited by 70% of participants) was related to safety, specifically the risk of identity theft or loss of funds.⁵ Other Pew surveys have highlighted Americans’ lack of confidence in institutions’ ability to secure personal information and in their own abilities to understand what will be done with their data.⁶

Protecting personal information is critical. This extends to respecting consumer privacy, prioritizing data security, and communicating the steps you take to do so in ways that are transparent and understandable. Delivering these messages via trusted partners and channels can also help. Volunteer financial coaches at **Prepare + Prosper**, a Minnesota-based nonprofit that helps its customers build assets and financial capability, often begin describing new mobile apps to customers by highlighting their security features (for example: the ability to recoup funds if a phone is lost or stolen) to assuage data privacy and security concerns.

However, it is also important to balance security with usability. **Catalyst Miami**, a nonprofit organization that leverages third-party fintech products in their financial coaching program, shared that the log-in process, while an important security feature, can become a barrier to use if/when it is perceived to be too onerous. So, consider whether and what information can safely be provided within a mobile app prior to authentication to help boost engagement and usage.

“ An executive at KeyBank recalled several instances where their research on underserved consumers uncovered feature ideas that, when tested with other customer segments, generated broad demand. This helped them craft the internal case to build those features, and it expanded the functionality of their offerings for all customers. ”

Source: [Five Ways to Expand the Appeal of Your Financial Technology Product](#)

Examples



- Adaptive, automated savings product
- Over \$1B saved with Digit
- Avg user annual income = \$40,000
- Avg user saves ~6% monthly income; avge saving \$2,500/yr



- Intelligent automation of loan payments with functionality to identify saving opportunities
- 30% of users reduce missed payments (and fees)
- 95% of users prepay loans (saving on interest)



- Provides seven-day notice of impending overdraft
- Saved users more than \$15M in overdraft fees



- Helps EBT cardholders manage benefits
- Eliminates over 1M hungry days each month

Source: [Powering the Next Generation of FinTech to Improve Consumer Financial Health](#)

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Thank You!

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Q&A (10 min)

Activity

Individually: Return to the question(s) you identified during our warm-up activity (3 min)

- Do you still have that question?
- Did new questions come-up?
- What consumer financial challenge(s) did you discover?

With your table: (10 min)

- Share your reflections
- Select one question from your table to share with the room
- Write it down, including who the question is directed toward

Panel Discussion



Doug Pawson
Director, Social Business &
Social Finance
Causeway Work Centre



Brendan Reimer
Strategic Partner, Values-
Based Banking
Assiniboine Credit Union



Eva Wong
COO & Co-Founder
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Closing Activity (2 min)

In your conference passport (from the program) write down:

- 1 thing that you learned from this session
- 1 next step you wish to take as a result of this session