

SUMMARY SLIDES

Pocketnest: Financial Wellness as an Engagement Strategy

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FiLab

FiLAB

FiLab seeks out innovative solutions and creates capacity for credit unions to rapidly test and implement promising concepts in the marketplace.

By leveraging Filene's cutting-edge research and engaging the market to identify emerging innovations, FiLab will provide an efficient platform for exploring new products and strategies and implementing solutions to the challenges that matter most.

Each year, FiLab will engage key partners in selecting and executing four to six innovation tests that drive change for credit unions

During this time, credit unions participate in a testing approach that answers questions about potential solutions while receiving tools and support to test a unique hypothesis and assess a concept's desirability, viability, and scalability.

To kick off the first round of tests, FiLab partnered with Pocketnest as one of four solutions for the 2023 testing phase.



Pocketnest is a financial wellness app that walks members through 10 themes of financial planning while identifying potential cross-selling opportunities

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The Challenge and a Possible Solution

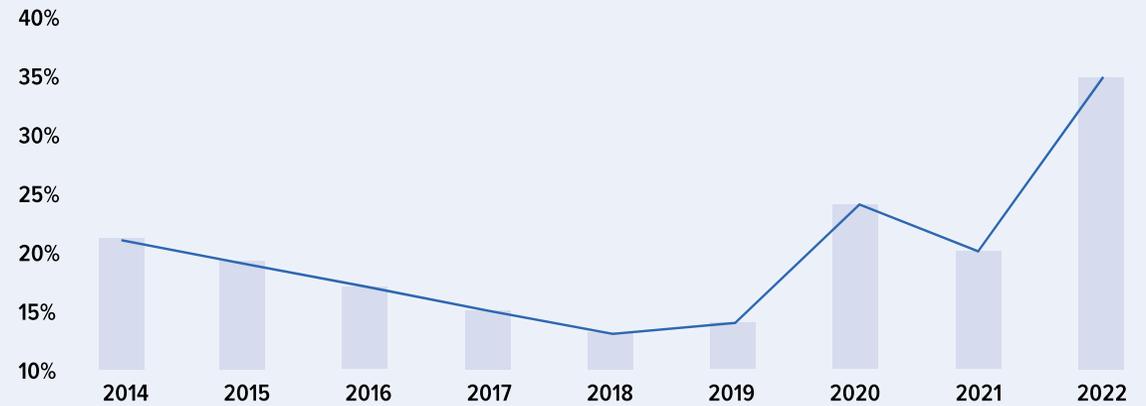
CREATING & MAINTAINING FINANCIAL WELL-BEING

In an economic landscape characterized by escalating living costs and static wages, coupled with the scarcity of health insurance and insufficient retirement planning resources, the pursuit and preservation of financial well-being pose significant challenges, even for individuals' adept at managing their finances, even for the most fiscally skilled.

Regrettably, less than one-third of U.S. residents can be classified as financially healthy. Meanwhile, more than half (55%) are in a state of merely managing or coping with their financial circumstances.

As consumers navigate financial challenges, they expect support from their primary financial institution (PFI), yet often experience a notable shortfall in assistance. This gap presents a unique opportunity for credit unions to step in as crucial partners, offering the necessary tools and support to guide their members toward sustained financial health and stability.

ADULTS DOING WORSE OFF THAN 12 MONTHS AGO



Source: The Federal Reserve: 2022 SHED Survey.

80% of consumers expect their primary financial Institution (PFI) to help them improve their financial health...



...yet only 14% agree strongly that their PFI delivered.

Source: <https://finhealthnetwork.org/research/financial-health-pulse-2022-u-s-trends-report/>

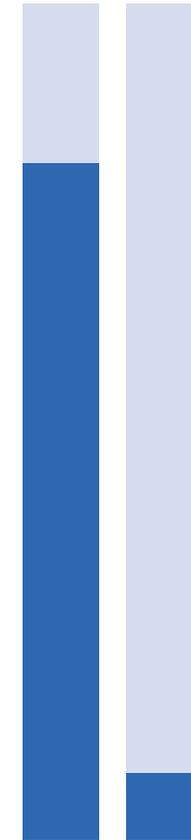
SUPPORTING MILLENNIALS & GEN Z

The economic crisis has disproportionately burdened Millennials and Gen Z, subjecting them to substantial financial challenges. Saddled with debt and lacking basic financial knowledge, these younger generations are approaching their prime earning and savings years without sufficient preparation.

With these factors impeding their path to financial prosperity, this younger generation has an urgent need for tailored financial guidance.

In times of financial uncertainty, credit unions must provide these members with the necessary tools to achieve financial wellness in order to remain relevant and cultivate loyal, long-lasting, and productive relationships with both current and prospective members.

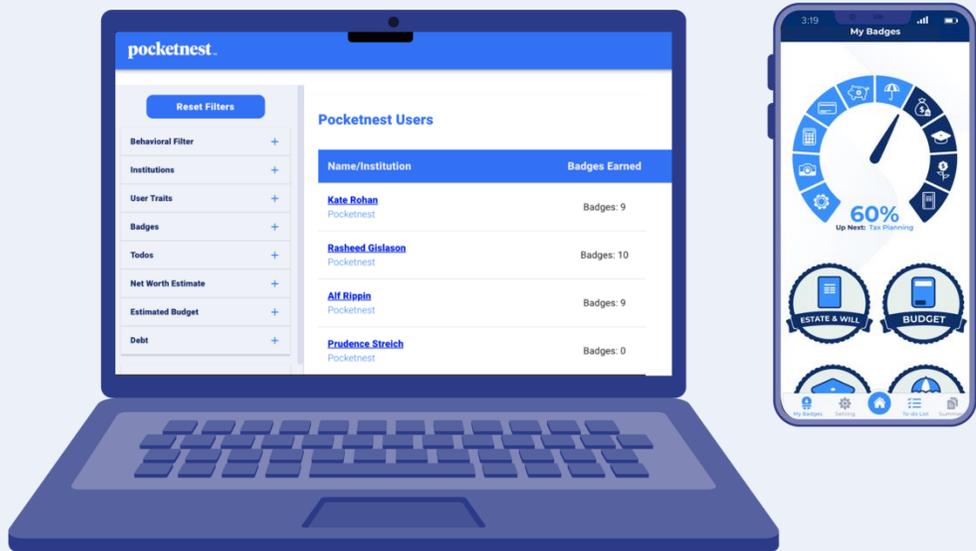
81% of Millennials and Gen Z carry long-term debt



Only **8%** demonstrate high financial literacy

Source: <https://www.filene.org/503>

A POSSIBLE SOLUTION
POCKETNEST

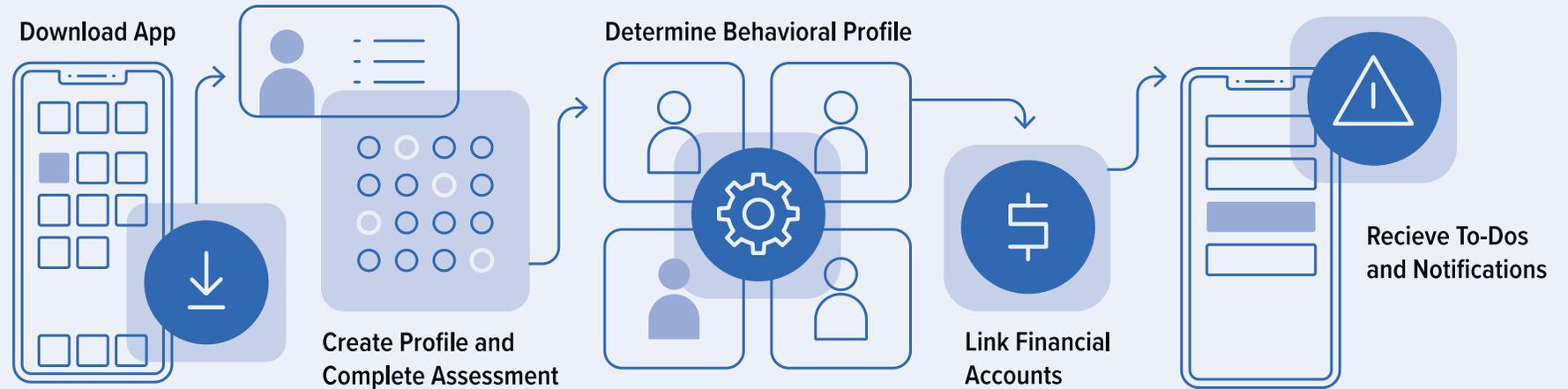


Pocketnest is a white-label financial wellness app that walks members through ten themes of financial planning, while identifying potential cross-sell opportunities for credit union partners.

Built on behavioral science and psychology, Pocketnest delivers actionable, personalized guidance, enabling members to keep their financial plans healthy and current with just three minutes of engagement each week.

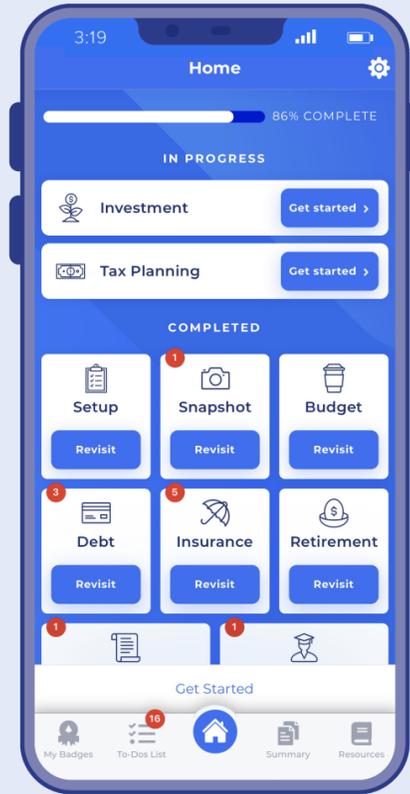
Geared toward Millennial and Gen Z members, the platform aims to bolster their financial wellness by filling gaps in their financial plans by organically connecting them to relevant and timely products and services without being too salesy or pushy.

HOW POCKETNEST WORKS

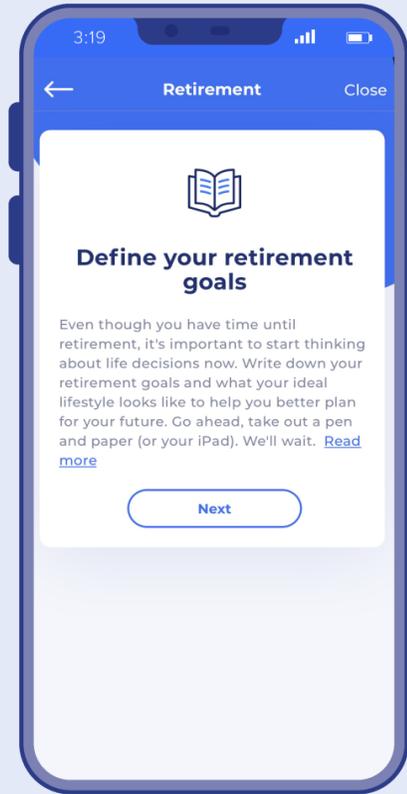


- Invite members to download the Pocketnest App, create an account, complete a brief financial assessment, and link their bank accounts for custom tips and recommendations.
- After a 30-second behavioral tendency assessment, Pocketnest places each member in 1 of 4 behavioral profiles to better understand their financial motivations, fears, and tendencies. This allows for a more tailored user experience.
- Members begin receiving to-dos to improve their financial health as well as articles and quizzes tailored to their individual needs.
- Additionally, Pocketnest serves members alerts to opportunities to save money or find products that are a better fit for their situation.

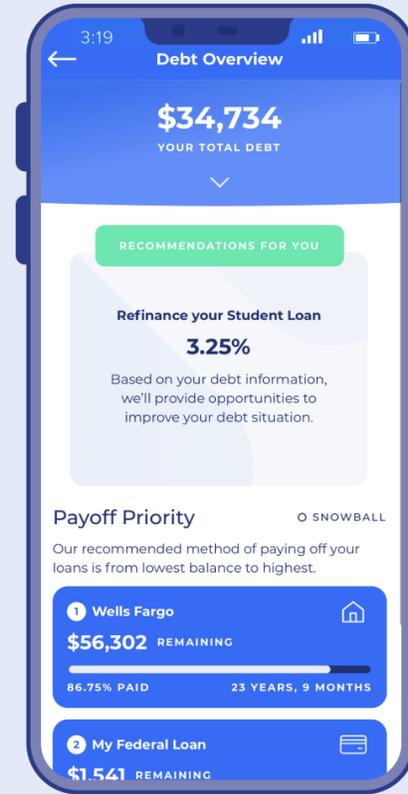
A POSSIBLE SOLUTION
POCKETNEST



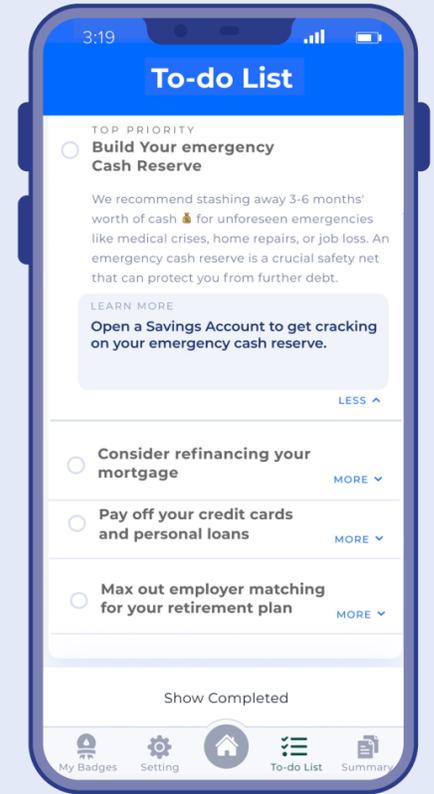
10 Financial Themes



Custom Education



Debt Elimination



Personalized To-Dos



Pocketnest: Credit Union Pilot Overview

WHAT WE TESTED



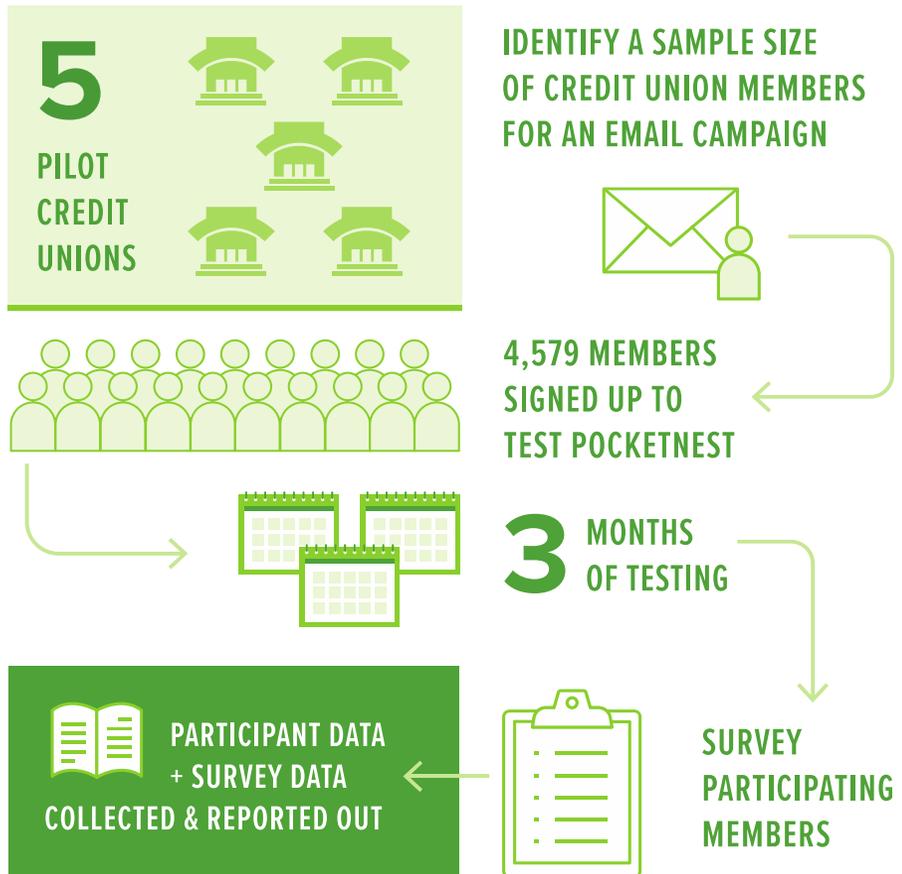
Filene examined Pocketnest to understand the **desirability, feasibility, and viability** for credit unions to offer more ways to engage with their members while helping them save more and become more financially sound.



3 FILENE-TESTED HYPOTHESES

- Credit unions can **expand member relationships** by providing tailor-made plans to improve their financial well-being.
- Credit unions are an **ideal channel** for Pocketnest.
- Offering Pocketnest will have a **positive impact on the credit union's financial performance**.

HOW WE TESTED



RESEARCH DESIGN FLOWCHART

- Filene engaged members and staff at five geographically diverse credit unions of various asset sizes throughout the US.
- Member research was conducted in two stages:
 - **STAGE 1:** A sample of credit union members were invited to sign up for Pocketnest. Those that enrolled used the platform for three months and were surveyed about their experience.
 - **STAGE 2:** Filene examined and analyzed participant usage data to identify patterns or trends.
- Filene also interviewed and surveyed credit union leadership engaged in the pilot to provide qualitative feedback on integrating and offering Pocketnest.



Member Results

PILOT PARTICIPANT DEMOGRAPHICS

Based on the survey responses, Pocketnest appealed to consumers from a range of demographic backgrounds. Socioeconomically, most participants were well-educated, employed full-time, with the majority reporting a stable financial status.

AGE

Majority between 35-44

GENDER

38% male

53% female

RACE

50% Black or African American

25% Hispanic/Latinx/Spanish

25% White

EDUCATION

Most had completed a 2-year degree or higher

EMPLOYMENT STATUS

79% work full time

HOUSEHOLD INCOME

66% made \$60K or more

100% self-described as steady/stable

CREDIT SCORE

69% self-reported a credit score of 680 or higher

STRESS ABOUT MONEY

33% Stressed

38% Indifferent

Note: Demographic information is derived by a small subset of users who voluntarily elected to share their data.

MEMBER ENGAGEMENT WITH POCKETNEST



HYPOTHESIS ALERT

During the pilot, 4,579 members subscribed to Pocketnest. Aligned with our hypothesis, **Pocketnest identified potential cross-sell opportunities that could deepen the credit union's relationship with its members.**



POSSIBLE CROSS-SELL OPPORTUNITIES



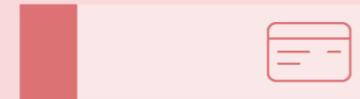
21%

with retirement accounts/
are retirement savers



64%

without an emergency
cash reserve



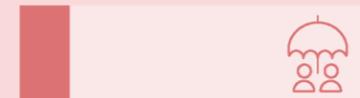
16%

with credit card debt



41%

with children
(youth account members)



14%

need to review
insurance products

VOICE OF THE MEMBER: POSITIVE IMPACT

“

I like that you get to **choose what to work** on out of a variety of areas.

“

The app was **easy to use**, and the set-up process was very informative.

“

I like its **connection** to my credit union to assist with my finances.

“

I found the **information to be insightful**.

VOICE OF THE MEMBER: IMPROVEMENTS



Although pilot participants enjoyed using Pocketnest, they also recommended improvements.

The most common suggestions to improve the pilot experience were:

- Make it easier to link my accounts.
- Integration into credit union's mobile banking app*
- More notifications to keep me engaged.

** Comments are in the context of the pilot structure where participating credit unions were not required to do a full marketing push to their members. Additionally, Pocketnest offers in-app integration in a more formal partnership.*



Credit Union Results

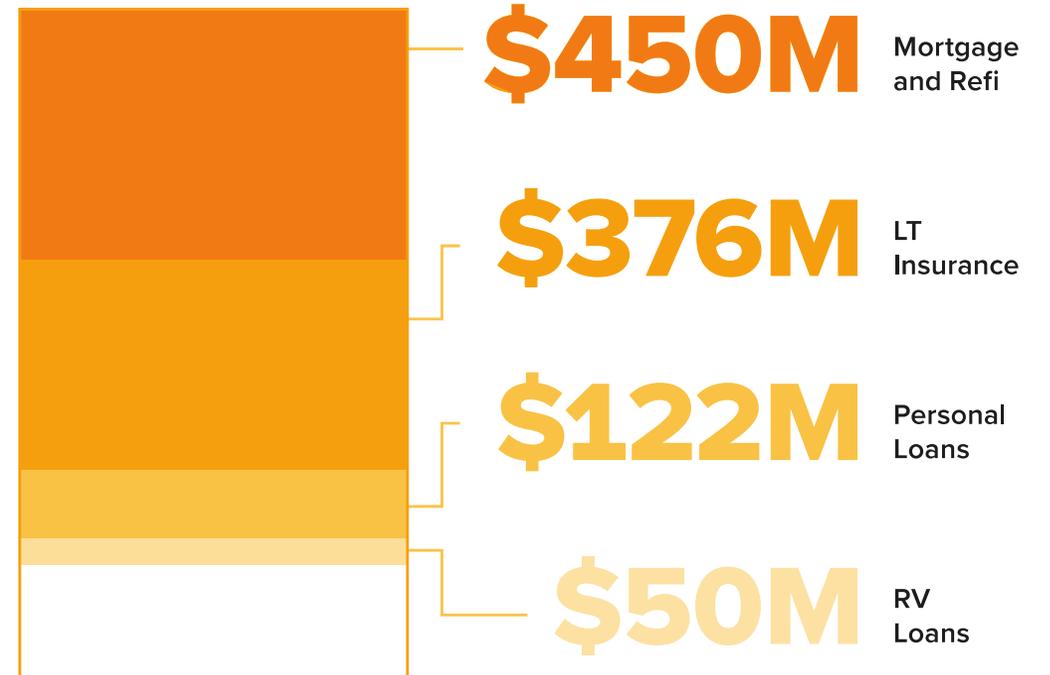
MSUFCU REVENUE CASE STUDY

Prior to the launch of FiLab's test, **Michigan State University Federal Credit Union (MSUFCU)** partnered with **Pocketnest** to provide its members with a fully-integrated **Pocketnest app**, embedding many of its **financial products and services in the app**. During different stages of the study, Pocketnest and MSUFCU assessed the following categories for engagement and cross-sell opportunities. Conversions represent potential revenue estimates based on member-proclaimed product and service needs and corresponding MSUFCU fees.

Pocketnest's projections for potential revenue opportunities aligned reasonably well with the actual outcomes that MSUFCU experienced indicating that their models for forecasting sales and member engagement were fairly reliable. However, it is important to note that execution and marketing strategies are key to realizing the projected revenues.

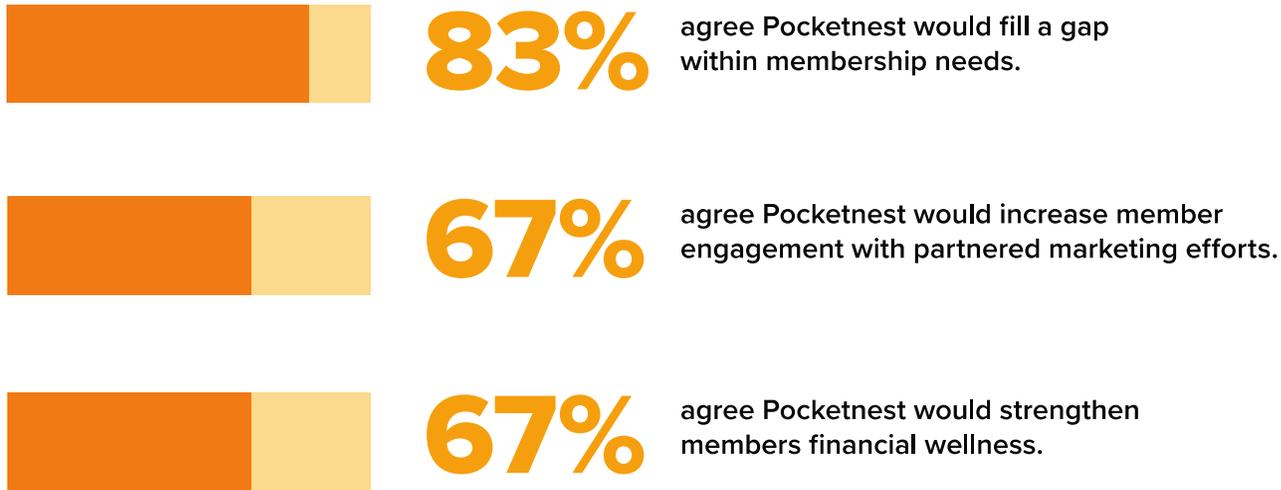
\$1.2B

in cross-sell opportunities



LEADERSHIP FEEDBACK

Credit union staff thought Pocketnest would be a valuable member benefit or service. While most felt it would not be a significant driver of new membership, the group shared how Pocketnest could benefit their credit union and membership in other ways.



“ The concept itself is really great because financial literacy is essential for everyone. The app is user-friendly and engaging. Also, the data we received provided us with some good insights.

“ Pocketnest allowed members to be more aware of their spending habits and the consequences of them.

PILOT LIMITATIONS



“

Overall, our credit union appreciated the concept of the Pocketnest platform, its user-friendliness, and the insights generated. Challenges from the pilot included limited dashboard access and integration of credit union products which made it difficult to validate ROI.

In written comments, credit union leaders also examined perceived barriers and recommendations to increase credit union value.

- Additional educational tools and marketing materials to sell their members on the function of the product and maintain their engagement.
- Easy integration into mobile banking app.
- Allow easier access to member data.

Note: These limitations were due to the project being a small-scale pilot. Normally, credit union integrations with Pocketnest include complete dashboard access and product integration, creating an extensive setup to properly assess the Return on Investment (ROI).



Conclusions

OPPORTUNITY FOR PARTNERSHIP

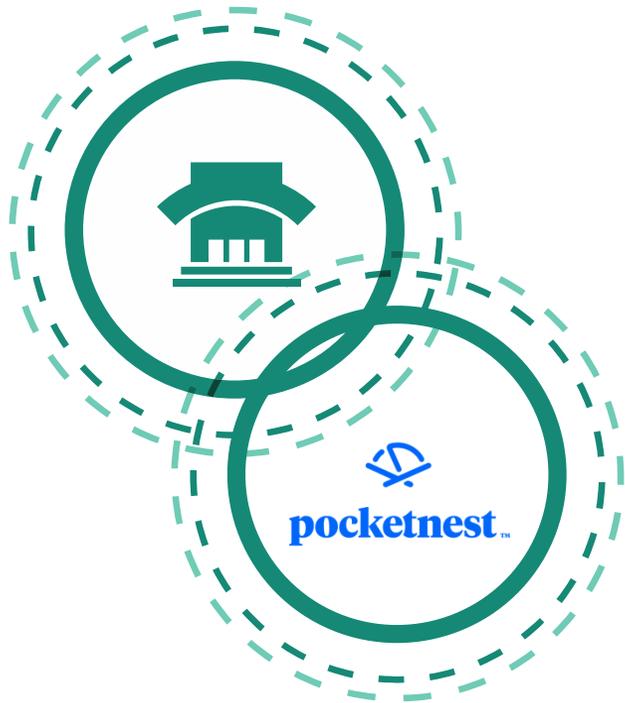


Pocketnest, or similar products, are worth considering and could be offered to members in a variety of ways while **potentially having a positive impact on the credit union's financial performance.**

Based on credit union feedback, Pocketnest can:

- Be a pro-active educational tool for members to manage their finances.
- Demonstrate a credit union's commitment to their members' success by actively investing in value added services.
- Fill the gap between Millennial and Gen Z expectations and the reality of services provided, positioning credit unions as potential leaders in financial wellness.

OPPORTUNITY FOR A WIN-WIN BENEFIT



Pocketnest offers opportunities to help members to improve financial well-being, and perhaps become more loyal (and profitable) members in the process.

Credit unions may not see a large or immediate direct financial benefit by offering Pocketnest, but the long-term financial impacts of loyalty and engagement are promising.

A formal partnership with Pocketnest could boost the credit union's cross-sell revenue by promoting the institution's products and services within the app, while organically recommending them at the right time for the right member.

**While members and credit unions saw the opportunity for better financial well-being and deeper engagement, additional usage data would need to be collected over an extended period of time to support impact results.*

NEXT STEPS



For credit unions interested in solutions like Pocketnest, FiLab would **recommend starting with an extended live pilot to obtain additional in-market data and support the assessment of viability and scalability.**

The pilot should seek to understand:

- The impact of Pocketnest on a member's financial well-being.
- Data trends for credit unions to track how their members engage with the app over time and are saving money.
- The return on investment for the credit union, including a referral fee and indirect benefits such as increased loyalty and qualified referrals for new accounts.

THANK YOU

ACKNOWLEDGMENTS



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