



### i3 What Box?

Project Name: LOT\$A MOT\$A<sup>sm</sup>

### Team Participants

Darin Woinarowicz  
Vice President, Development  
Orange County Teachers Federal Credit Union  
2115 N. Broadway  
Santa Ana, Ca 92706  
714-466-8406  
dwoinarowicz@octfcu.org

Karin Kovalovsky  
Vice President, Marketing  
Air Academy Federal Credit Union  
1355 Kelly Johnson Blvd.  
Colorado Springs, CO 80920  
719-592-1007  
karink@aafcu.com

Lisa Landt  
Chief Financial Officer  
First Entertainment Credit Union  
6735 Forest Lawn Drive  
Hollywood, CA 90068  
323-845-4499  
lland@firstent.org

Susan Brooks  
AVP, Consumer Lending  
Navy Federal Credit Union  
703-255-7706  
susan\_brooks@navyfederal.org

Thomas E. Bowen  
Chief Operations Officer  
KC Councils Federal Credit Union  
PO Box 537  
College Park, MD 20741  
301-441-8533  
teb@kccfcu.org

Tom Anonson  
Executive Vice President  
Class Act Federal Credit Union  
3620 Fern Valley Road  
Louisville, KY 40219  
502-212-3149  
tanonson@classact.org

## Market Challenge or Opportunity from the member/consumer perspective:

The lack of financial literacy in America is reaching a disconcerting level. Only 27% of Americans feel very well informed about managing their own household finances and among parents with children five or older, only 26% feel well prepared to teach their children about basic personal finances.<sup>1</sup> Fewer than 40% of parents said they talked about credit cards, loans and debt, and their own family finances with their children.<sup>2</sup> Personal savings as a percentage of personal income decreased from 7.5% in the early 1980s to a negative number in early 2006.<sup>3</sup> At the same time, credit union membership is graying, with the average age of credit union members hovering around 47.<sup>4</sup> The baby boomers that have fueled our credit union business have almost moved out of their peak borrowing years of 25-44 and there's a comparatively small number of Generation Xers around to fill the void. The history of the credit union movement was born out of a manufacturing, unionized, blue collar work force that believed in pooling resources from all workers to reach a greater good. With the movement of many Western nations towards service based economy, the blue collar workforce has steadily decreased in size. At the same time, white collar workers in the U.S. have increased. White collar workers have a reputation for being skeptical or opposed to unions, and tend to see their advancement in work as tied to their reaching corporate goals rather than in union membership. This difference reaches deep into the credit union philosophy and could be one reason why children today don't understand the concept of a credit union. More than ever before, it is vital to the future of credit unions to attract and retain younger members. The quandary that we face is that a true understanding of the Credit Union movement is deteriorating with younger generations. According to statistics, of consumers aged 18 - 24, 49% of those who are eligible for credit union membership **are not even familiar with what a credit union is.**<sup>5</sup>

## Innovative solution for capitalizing on the opportunity:

**LOT\$A MOT\$A<sup>sm</sup> is a destination.** Designed for young people between the ages of 5 and 18 (Kindergarten through High School), it will teach the basics about **MOT\$A** (Our term for *Money*)! More than simply a group of "financial literacy" classes, **LOT\$A MOT\$A** is a Money Lab<sup>sm</sup> that will be fun, interactive and exciting while helping to develop a child's **MOT\$A I.Q.** Classes will stress the importance of becoming financially secure at an early age and developing strong money skills that will continue throughout a lifetime. **LOT\$A MOT\$A** will also be unique in that it will stress the importance of developing a relationship with a credit union. In fact, many of the philosophies of the credit union movement will be indispensable in the development of our company as a leader in strengthening children's financial understanding. As a variety of federal and state-sponsored bills promoting personal finance education among school-aged children are moving through Capital Hill and State Assemblies across the country, interest in financial

literacy in public schools is surging. Given schools are already tapped out, LOT\$A MOT\$A would be a way to partner with school districts and provide any State mandated financial literacy. Another benefit of LOT\$A MOT\$A is by targeting schools and providing scholarships for the underprivileged, we have an opportunity to reach unbanked and underserved consumers through their children. Kids develop attitudes about money that can affect their personal finance behaviors at an early age. Many experts agree, the earlier they are taught money management, the more likely the lessons will influence children's adult behavior. Strategies to campaign Congress and our state legislators on behalf of credit unions will be vital to our mission as we push for others to step forward in the critical effort to educate our youth on the subject of remaining on course with their financial wellbeing as well as the effort to keep credit unions a thriving part of our society. This will bring the credit union movement to the forefront of legislator's minds when they are faced with the topic of financial literacy in America.

### **Member benefits:**

The LOT\$A MOT\$A mission is three fold, with each being an integral part of our success.

*Education Mission* – Provide youth with fun and exciting curriculum to develop their MOT\$A I.Q.

*Community Mission* – Provide a gateway for others to receive the benefits of credit union membership.

*Economic Mission* – Operate and grow at a profitable rate through sound economic decisions.

Through our mission, members and non-members alike will gain an understanding of basic financial topics as well as what it means to be a member of a credit union. LOT\$A MOT\$A will provide children with something that nobody currently offers...a fun destination to learn about money. There are already proven business models in place that provide children with the opportunity to learn supplementary topics (dancing, cooking, gymnastics, etc.) outside of the home. However, there is currently no model like this to introduce children to the basic concepts of money while at the same time promoting credit union membership. All credit union members could potentially benefit from the knowledge gained at LOT\$A MOT\$A and we hope to turn around the ominous statistics on bankruptcy, lack of savings and increased debt by reaching children at an early age. Doing so will ultimately benefit everyone in the cooperative.

### **Credit union benefits:**

Credit Unions will also benefit extensively with this business model. LOT\$A MOT\$A will be formed as a CUSO, which will give credit unions who invest in the corporation the opportunity to share in the profits earned. In addition, this excellent investment will provide credit unions with advertising within LOT\$A MOT\$A as well as potential membership growth through our ongoing LOT\$A MEMBER\$ program. The community involvement, membership growth potential and goodwill offered through this partnership will be immense. Credit Unions will also have the ability to create a LOT\$A MOT\$A window in their branch office to promote this concept. Children who are interested could open a LOT\$A MOT\$A account in which they can deposit the funds earned at the classes and turn those funds into real cash. The immeasurable good will that this will create, along with the hard statistics on membership and share

growth, will give credit unions the opportunity to see some real benefits offered by partnering with LOT\$A MOT\$A. Eventually, a LOT\$A MOT\$A multi-user website (similar to Webkinz®) will provide members with a place to go to learn financial literacy while at the same time promoting our business as well as credit unions.

### Target market:

LOT\$A MOT\$A marketing will focus on credit union members but will also target non-member students throughout the metropolitan area. Public and private schools will be contacted to offer scholarships for underprivileged children. Credit Unions will be pursued for the sale of bulk packages of classes to serve as a supplement to their current children's accounts and to promote credit union membership to children who currently do not have an account. Curriculum will be generated based on grade level and will initially focus on K – 5. This represents over 59,000 children in the Louisville, Kentucky area. With the addition of grades 6 – 12, we have the potential to reach another 54,000 children in the public and private school systems. That makes our target market potential in the Louisville metropolitan area over 113,000 children.<sup>6</sup> Assuming that only 23% of those children are already members of a credit union, that give us an opportunity to introduce credit union membership to over 87,000 children!

### Marketing tactics:

LOT\$A MOT\$A will have an aggressive marketing strategy focused on the credit union market and local school systems. The initial focus will primarily be children in K – 5, however, students in grades 6 – 12 will also be encouraged to participate since the statistics prove that it is never too late to influence children with the financial decisions that they will face during college or their early adult lifestages. Students in grades 9 – 12 will receive a complimentary one year subscription to brass|MEDIA Inc., a money magazine written for young adults which focuses on the credit union industry. LOT\$A MOT\$A will brand itself as the premier destination to learn about money and credit unions. With children as well as adults, word-of-mouth marketing is especially effective. As stated earlier, LOT\$A MOT\$A will be a destination for both students and their parents. Free beverages, internet access and comfortable chairs will await parents there to pick up their children. Children will walk away with branded merchandise every time they visit LOT\$A MOT\$A. In addition, the feasibility of providing a LOT\$A MOT\$A multi-user website will be examined. Here, students could log in with a special code they receive from class and create their own world. This website would allow students to interact with other students in live chat (word-of-mouth in action) and play games for additional MOT\$A that they could use to purchase items for their web world. LOT\$A MOT\$A will stress the importance of spending money appropriately, saving money for future purchases and donating money to charities. Through the website, students will play games designed to assist with improving their purchasing decisions, monitor their LOT\$A MOT\$A account, and allocate portions of the MOT\$A they have earned to donate towards the charity of their choice.

## Operational and other considerations:

LOT\$A MOT\$A's start-up expenses total just \$200,000. The majority of these funds, roughly \$120,000, will be used to pay rent on the first facility, pay deposits and provide capital for six months of operating expenses. Another \$80,000 will be used for the initial inventory and other one-time expenses for capital expenses. LOT\$A MOT\$A anticipates the need for approximately \$75,000 in operating capital for the first six months of operation. LOT\$A MOT\$A's financial picture is quite promising. There are some significant expenses initially, but the process to keep the business running will be more labor intensive with less capital expenses incurred. LOT\$A MOT\$A anticipates the initial combination of investments and long-term financing of \$300,000 to carry it without the need for any additional equity or debt investment, beyond the purchase of equipment and facilities. What this means for LOT\$A MOT\$A is solid, financially sound growth based on individual and group sales as well as merchandising.

## Proof of concept (Vision for or results of beta and pilot tests):

One partial pilot test was completed with the curriculum proposed in February, 2007. The basic curriculum was tested with this group of 20 fourth and fifth grade students. The children expressed a high interest in participating in future classes (especially with the full concept in place) and rated the class a 5 out of 5 in the knowledge they gained. The full concept was piloted to 15 children on August 2, 2007 using ActivBoard technology and a reward system incorporated in the sessions. Although this was not a perfect case in point because of budgetary restraints, the concept was expressed and the children responded wonderfully. Beyond the children, we also gathered comments from the parents who brought their children. Some of those comments included, "Love the concept. Great idea." and "I think it is a great way for kids to see how the world works." When asked if the parents thought that a fun interactive place for kids to go and learn about money was a good idea, the comments could be wrapped up in this statement, "I think it is a wonderful idea because it is painfully obvious that most adults can't manage their money given the number of bankruptcies. I know lots of friends and relatives that can't balance their checkbooks. Perhaps earlier intervention could reverse that trend."

Even with this pilot not truly representative of what a real LOT\$A MOT\$A location would look like the results are pretty obvious. Kids, and parents, are looking for a place to go to help them learn about money. If we don't offer that place then the banks surely will. It is worth noting that 87% of college students and 90% of high school students rely on their parents for financial guidance. However, only 26% of those same parents feel well prepared to teach their kids about basic personal finances.<sup>7</sup> This disparity is something that we want to conquer with our concept. Students have a strong desire to learn these topics, but are rarely exposed to them at home or school. It is up to us to expose them to this idea.

## Suggested first steps:

- Seek credit union investors for CUSO.
- Complete financials
  1. Start-up Expenses
  2. 12 month Profit and Loss Projection
  3. Financial Statement
  4. Cash Flow Statement
  5. Opening day Balance Sheet
  6. 12 month sales forecast
  7. Break-Even Analysis
  8. 3 year Profit Projection
- Develop full curriculum for grades K – 5, then 6 – 12.
- Conduct several additional pilot tests to narrow down curriculum and polish presentation skills.
- Determine feasibility of launching a multi-user website (similar to Webkinz®) where **LOT\$A MOT\$A** students could go when they leave our Lab to continue learning.

<sup>1</sup> FleetBoston, Smarter Decisions With Fleet National Survey, September 2003, <http://www.cbanet.org/SURVEYS/literacy/WEB%20FINAL%202004%20Financial%20Literacy%20Survey%20Report.pdf>

<sup>2</sup> Northwestern Mutual, Teaching Kids About Money Parent Survey Summary, Kids Learn Money Lessons at Home, But Parents Lack Confidence as Role Models, Survey Shows, October 2003, <http://www.nmfn.com/tn/aboutnet-nmnrkids>

<sup>3</sup> Senator Akaka, Financial Literacy Month Resolution, March 9, 2004, <http://akaka.senate.gov/~akaka/speeches/2004311559.html>

<sup>4</sup> “What Is Emma Worth?” by Bob Hoel, executive director of the Filene Research Institute, Savingteen (2003), [www.cuna.org/initiatives/youth/savingteen.html](http://www.cuna.org/initiatives/youth/savingteen.html)

<sup>5</sup> CUNA Research Services’ 2006 National Consumer Survey

<sup>6</sup> Jefferson County Public Schools, Research Department, January 2007

<sup>7</sup> Capital One, Capital One’s Annual Back-to-School Survey Reveals Family Falling Short as Key Source for Students’ Financial Know-How, July 29, 2003, <http://phx.corporate-ir.net/phoenix.zhtml?c=70667&p=irol-newsArticle2&ID=436171&highlight=parents>