

Market Research Summary

Smart Investing @ your library grant project
Schaumburg Township District Library
7.24.2008

BACKGROUND

Our marketing plan called for research into the needs of 3 market segments: Millennials, Generation X and Baby Boomers. We planned to gather input from Millennials and gauge their financial literacy through a brainstorming session with our Teen Advisory Board (TAB) and through an online survey via our website. In the time since our plan was developed, however, our TAB has folded. We still wanted input from Millennials, so we conducted a focus group with teens who had participated in previous events at the library. Their input is summarized below and was also used to develop questions for our online survey.

During survey design, FINRA drew our attention to the fact that the entire Millennial age range (ages 14-25) represented 2 distinct subgroups. Younger Millennials (ages 14-18) are preparing for the transition from high school to college while older Millennials (ages 19-25) are facing the financial challenges of college and establishing their careers. We decided to focus more narrowly on younger Millennials because their needs more closely align with our project goals. In addition, we have strong relationships with this group through our Teen Services department. All of the findings presented below relate to younger Millennials.

We combined the Millennial survey with those we prepared for Gen Xers and Baby Boomers, using skip logic to direct respondents to the appropriate questions. As outlined in our plan, we also provided a print version of the Baby Boomer surveys though we were surprised to find that all of the surveys were completed electronically. We also conducted an online survey with members of the Financial Planners Association, Illinois chapter. Our marketing plan called for this survey to address Gen X and Boomer needs, however we also added questions about Millennials to maximize input about that demographic group.

We posted an eye-catching button on our website to access the patron survey. We also encouraged participation through email blasts and blog postings, as well as posters and flyers in the library. Our partner at the Financial Planners Association, Illinois chapter notified his members about the survey through email blasts. Response to the survey was very slow. Although we planned to run the surveys for 2 weeks, we extended them to 4 weeks to gather more responses.

FINDINGS

Millennials (ages 14-18)

9 Millennials participated in our focus group. 34 Millennials and 31 Financial Planners responded to our survey. However, not every respondent answered every question.

FOCUS GROUP

Focus group participants displayed a high level of financial literacy. They expressed the importance of saving and investing and shared plans for paying for college. They identified specific books and websites that they liked for financial information. Many teens work to earn money while others get money from their parents. Many had interest-bearing savings accounts, as well as CDs and bonds. They demonstrated an awareness of the importance of budgeting, although they said that sticking to a budget is difficult. They said that they felt credit cards are unnecessary and that their parents would not allow them to get their own. They felt other teens did not spend money wisely.

Focus group participants identified the following topics as important for teens:

- budgeting
- how to spend money wisely
- saving money
- how to pay off debt

We asked focus group participants who they would like to see in the YouTube videos. They said they wanted to see other teens including high school students and college students who had made financial mistakes. They wanted to have a variety of people featured, but warned against featuring a "crusty old man". They liked the idea of "college students talking to clueless teenagers".

We asked focus group participants about good ways to advertise the videos. They discouraged us from advertising within the library saying that the teens who need the information don't come to the library. They felt that teens who are overspending are buying books rather than borrowing them from the library. They suggested email blasts and high schools newspapers, as well as the viral nature of YouTube itself.

Focus group participants told us that the videos should be funny and suggested that we incorporate real life stories. They preferred shorter videos, and recommended modeling them after the *How to be emo, nerd, goth, etc.* series that is currently popular on YouTube. Many liked the idea of showing how to invest/save using a real life example of a typical teen, for example \$20-50 per month for saving. They suggested setting the videos in the library and filming them during a lock-in scheduled for fall 2008.

SURVEY PART 1: FINANCIAL TOPICS

Our survey questions tested 11 topics with both patrons and financial planners. Our goal was to find the intersection between the teens' interest and the needs identified by financial professionals.

Patrons rated each topic on a scale of 1 to 10 with 1 indicating that they had no interest in the topic and 10 indicating that they were extremely interested. Financial planners rated each topic on a scale of 1 to 10 with 1 indicating that information on the topic was not needed by Millennials and 10 indicating that information on the topic was greatly needed by Millennials. The average ratings are listed in the following table:

<u>Topic</u>	<u>Patron rating</u>	<u>Financial planner rating</u>
Saving for college	8.5 (ranked #1)	7.7
Using credit cards wisely	7.7 (ranked #3 – tied)	9.1 (ranked #1)
Managing debt	7.9 (ranked #2)	8.3 (ranked #2)
Managing and sticking to a budget	7.3	7.9 (ranked #3)
Using banking services	6.9	7.1
Understanding credit report	n/a	6.9
Repairing bad credit	5.9	6.0
Saving to buy a house	3.9	4.9
Understanding investment types	7.7 (ranked #3 – tied)	7.0
Preparing for retirement	3.3	4.1
Selecting a financial advisor	5.6	5.5

Financial planners suggested the following additional topics:

- how to purchase a car you can afford
- financial decision making and risk management
- insurance basics
- understanding risk and return
- being responsible and self-sufficient
- becoming a knowledgeable consumer
- pitfalls of debit cards

SURVEY PART 2: MARKETING

We asked patrons who they would like to see in the YouTube videos:

High school student	76%
College student	59%
Investment advisor or banker	48%
Teacher or professor	31%
Librarian	14%

Respondents also suggested including junior high students, individuals who had personally overcome debt or bankruptcy, parents of teens, a retired person, and a college financial advisor.

We also asked patrons about good ways to advertise. It's important to note that patrons were recruited for the survey through email messages from the library and information on library homepage.

Email from library	71%
Info on library homepage	64%
Flyers and posters at the library	61%
MySpace	54%
Library newsletter	54%
Ad in school newspaper	39%
Info on library teen center webpage	36%
Ad in Daily Herald	29%
Ad in Schaumburg Review	25%

Patrons also suggested using Facebook and promoting the videos during library teen events.

Finally, we tested 2 messages/themes with survey participants. Patrons rated each message/theme on a scale of 1 to 10 with 1 indicating that they had no interest in the topic and 10 indicating that they were extremely interested. "Having enough money to achieve my goals" received a rating of 9.1 and "Spending money wisely" received a rating of 8.4.

SURVEY PART 3: FINANCIAL LITERACY

88% of respondents demonstrated an understanding that paying bills late and missing payments results in higher interest rates for loans. 79% correctly identified income and expenses as components of a budget. 76% of respondents demonstrated an understanding of compounding interest and the benefits of investing early in life. In each of these questions, nearly all of those who did not know the answer selected "I don't know" rather than selecting an incorrect answer.

63% of respondents demonstrated an understanding that a credit card user who makes only the minimum payment each month is likely to pay the greatest dollar amount in finance charges per year. 20% selected credit users who paid more than the minimum and 17% selected "I don't know".

Only 33% of respondents correctly identified the relationship between financial risk and return. 46% indicated that they didn't know the relationship and 21% selected an incorrect relationship.

Finally, when asked which of the listed institutions insures against losses in the stock market, only 13% of respondents demonstrated that they understood that

none of the institutions performed that function. 45% selected one of the institutions listed (FDIC, SEC, FINRA, SIPC). 42% selected "I don't know".

Generation X (ages 26-43)

38 Gen Xers and 31 Financial Planners responded to our survey. However, not every respondent answered every question.

SURVEY PART 1: FINANCIAL TOPICS

We tested 13 topics with both patrons and financial planners. Our goal was to find the intersection between the Gen Xers' interest and the needs identified by financial professionals.

Patrons rated each topic on a scale of 1 to 10 with 1 indicating that they had no interest in the topic and 10 indicating that they were extremely interested. Financial planners rated each topic on a scale of 1 to 10 with 1 indicating that information on the topic was not needed by Gen Xers and 10 indicating that information on the topic was greatly needed by Gen Xers. The average ratings are listed in the following table:

<u>Topic</u>	<u>Patron rating</u>	<u>Financial planner rating</u>
Buying a first home	5.0	8.0
Having enough money to start a family	5.8	7.5
Teaching my children about money	5.8	7.5
Using credit cards wisely	3.2	9.0 (ranked #1 -- tied)
Managing debt	5.6	9.0 (ranked #1 -- tied)
Understanding credit reports	6.0	8.1
Repairing bad credit	3.8	7.8
Setting financial goals	4.4	9.0 (ranked #1 -- tied)
Managing and sticking to a budget	6.4	8.5
Understanding investment types	7.5 (ranked #1)	9.0 (ranked #1 -- tied)
Preparing for retirement	7.4 (ranked #2)	8.7
Selecting a financial advisor	5.9	8.7
Creating a diversified portfolio	6.9 (ranked #3)	8.6

Patrons suggested the following additional topics:

- saving for college
- financial lingo 101
- choosing the right type of loan and loan refinancing

Financial planners suggested the following additional topics:

- how to discuss financial issues with life partner
- financial decision making and risk management
- being properly insured
- starting a college fund for children
- putting things in order like wills and beneficiary designation
- understanding employment benefits
- selecting investments within 401k and 403b plans

SURVEY PART 2: MARKETING

We asked patrons who they would like to see in the YouTube videos:

Investment advisor or banker	67%
Someone my age	52%
University professor	26%
Librarian	11%

Patrons also suggested individuals who were facing personal financial problems, local attorneys, and local politicians.

We also asked patrons about good ways to advertise. It's important to note that patrons were recruited for the survey through email messages from the library and information on library homepage.

Info on library homepage	85%
Email from library	59%
Library newsletter	59%
Flyers and posters at the library	56%
Ad in <i>Daily Herald</i>	30%
Ad in <i>Schaumburg Review</i>	19%

Patrons also suggested using a large sign at the library entrance and advertising in other (unnamed) area publications.

Finally, we tested a message/theme with the patrons, asking them to rate it on a scale of 1 to 10 with 1 indicating that they had no interest in the topic and 10 indicating that they were extremely interested. "Building financial security for my future" received a rating of 8.2.

SURVEY PART 3: FINANCIAL LITERACY

92% of respondents demonstrated an understanding of compounding interest and the benefits of investing early in life. 83% of respondents successfully applied this knowledge in a scenario question. In both questions, nearly all of those who

did not know the answer selected "I don't know" rather than selecting an incorrect answer.

67% of respondents correctly identified the role of a credit bureau. 20% of respondents selected an incorrect role and 13% selected "I don't know".

57% of respondents demonstrated an understanding of the relationship between bond prices and interest rates. Another 57% correctly identified the average annual return that can be expected from a broadly diversified U.S. stock mutual fund over the long run. The majority of those who did not know the answer selected "I don't know" rather than selecting an incorrect answer.

Finally, only 30% of respondents selected the correct definition of a "no-load" mutual fund. 35% selected "I don't know" and 34% selected an incorrect definition.

Boomers (ages 44-62)

32 Boomers and 31 Financial Planners responded to our survey. However, not every respondent answered every question.

SURVEY PART 1: FINANCIAL TOPICS

We tested 13 topics with both patrons and financial planners. Our goal was to find the intersection between the Boomers' interest and the needs identified by financial professionals.

Patrons rated each topic on a scale of 1 to 10 with 1 indicating that they had no interest in the topic and 10 indicating that they were extremely interested. Financial planners rated each topic on a scale of 1 to 10 with 1 indicating that information on the topic was not needed by Boomers and 10 indicating that information on the topic was greatly needed by Boomers. The average ratings are listed in the following table:

<u>Topic</u>	<u>Patron rating</u>	<u>Financial planner rating</u>
Teaching children or grandchildren about money	2.6	6.8
Having enough money for children's college tuition or parents' care	5.7	7.4
Preparing for retirement	7.9 (ranked #1 -- tied)	9.6 (ranked #1)
Managing risk in the housing market	6.5	7.0
Using credit cards wisely	5.6	7.3
Managing debt	5.7	7.9

Understanding credit reports	3.9	7.3
Repairing bad credit	2.3	6.9
Setting financial goals	6.3	6.9
Making and sticking to a budget	6.9	8.2
Understanding types of investments	7.9 (ranked #1 -- tied)	8.7 (ranked #3)
Selecting a financial advisor	3.9	9.3 (ranked #2)
Creating a diversified portfolio	7.2 (ranked #3)	9.1

Patrons suggested the following additional topics:

- ethical investing
- home loans and refinancing

Financial planners suggested the following additional topics:

- financial decision making and risk management
- being properly insured including long term care insurance

SURVEY PART 2: MARKETING

We asked patrons who they would like to see in the YouTube videos:

Investment advisor or banker	68%
Someone my age	46%
University professor	23%
Librarian	9%

We also asked patrons about good ways to advertise. It's important to note that patrons were recruited for the survey through email messages from the library and information on library homepage.

Info on library homepage	87%
Flyers and posters at the library	78%
Library newsletter	74%
Email from library	52%
Ad in <i>Daily Herald</i>	30%
Ad in <i>Schaumburg Review</i>	22%

SURVEY PART 3: FINANCIAL LITERACY

87% of respondents successfully applied their understanding of compounding interest and the benefits of investing early in life in a scenario question. 78% of respondents correctly identified the role of a credit bureau. In both questions,

nearly all of those who did not know the answer selected "I don't know" rather than selecting an incorrect answer.

78% of respondents demonstrated their understanding that periods of high inflation cause the greatest problems for retirees living on a fixed income. 9% did not know and 13% selected an incorrect demographic group.

70% of respondents correctly identified stocks as generating the best average returns in the US over the last 20 years. Nearly all of those who did not know the answer selected "I don't know" rather than selecting an incorrect answer.

52% correctly identified the average annual return that can be expected from a broadly diversified U.S. stock mutual fund over the long run. The majority of those who did not know the answer selected "I don't know" rather than selecting an incorrect answer.

39% of respondents demonstrated an understanding of the relationship between bond prices and interest rates. 35% selected "I don't know" and 26% selected an incorrect relationship.