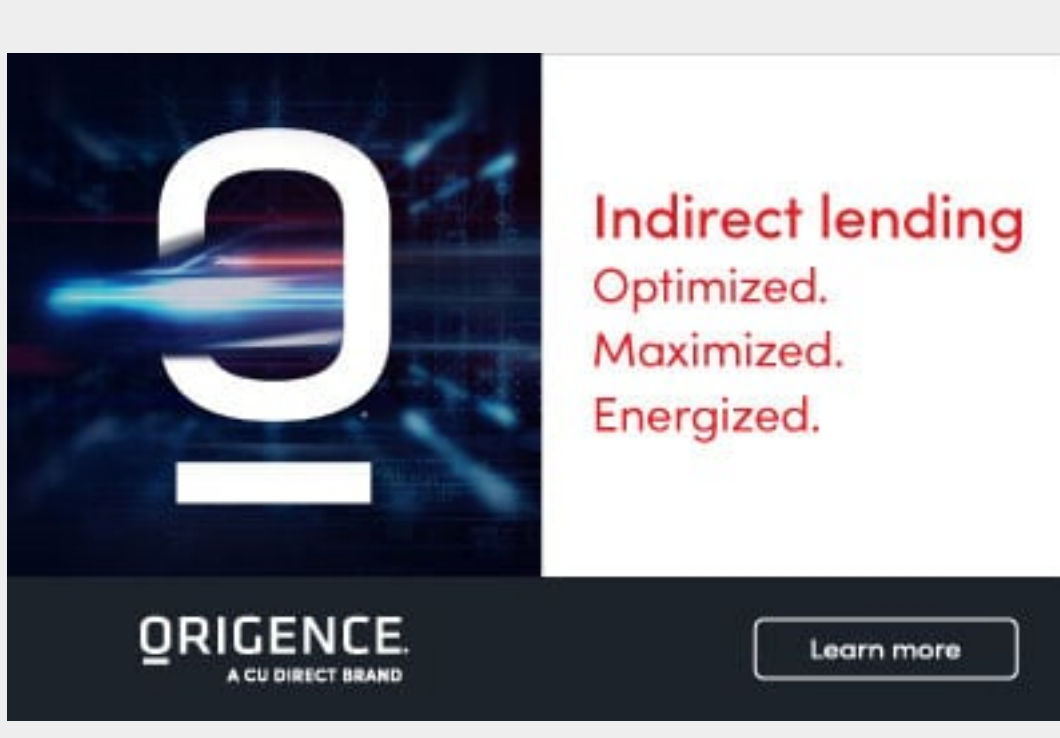


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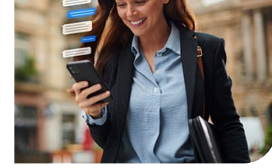
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Engaging With Your Institution Should Be Rewarding, Fast, & Effortless

Financial Wellness: The Cornerstone of Greater Customer Engagement

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Even as the economy rebounds, financial institutions must reinforce their essential role in assisting the large segment of the population that continues to wrestle with financial stress. The opportunity to reshape banking so that financial wellness is a fundamental principle has great potential for profitable future growth.

By Scott Woepke, Founder and Managing Partner of Nazare Advisors

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The economic impact of Covid-19 has triggered the most unequal recession in modern U.S. history, delivering a mild setback for those at or near the top and a depression-like blow for those closer to the bottom.

Recovery is slow for many key demographic groups, including mothers of school-age children, Black men and women, Hispanic men, Asian Americans, younger Americans (ages 25-34), and people without college degrees. No other recession has pummeled society's most vulnerable like this one.

We have a real challenge helping people in the bottom and middle income ranges. These are people who are falling behind and falling apart. There are too many "chutes" and "traps" that make it difficult for them to get ahead. For many, they are one medical bill or job furlough away from experiencing a significant economic free fall.

This crisis has exposed many fault lines in our country. This situation prompts several questions:

Now that we know that so many people are not financially well, what should be done? What role should the banking industry play?

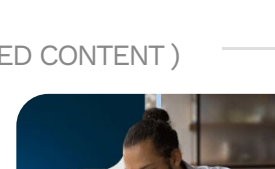
The Importance of Financial Wellness Is Not Understood

For years, many people have not taken advice on the importance of saving for a rainy day and not taking on too much debt. Financial wellness services and programs have been lacking, and that has exacerbated the challenge for many people. With the economic uncertainty many Americans face today, we're dealing with the uncomfortable reality that millions of households could see their life goals in jeopardy.

Several widely recognized economic factors contributed to this financial burden – wage stagnation, rising expenses, educational debt, among them. Other contributing factors are less well known. For example, the way we have treated personal finance has been too narrowly focused. For too long society has treated financial security as something exclusive and not inclusive and essential for our overall well being.



Open Banking Explained: The What, Why, and How



What Makes a Bank or Credit Union Better at CX?

While financial knowledge is important, it is not enough. Financial wellness is achieved when people can apply financial knowledge to manage their economic lives effectively. That requires the ability to make good financial decisions, spend money within one's means, and plan adequately for emergencies and the future. If society – and the banking industry in particular – want to tackle financial wellness, there needs to be a holistic approach to personal finance. This requires a shift in mindset.

Personal finance should not be looked at as a specialty topic. It needs to be more universal and viewed as integral to people's well being. This is not just a business topic, it is a topic that supports the ability to live a healthy and happy life.

The Challenge:

Banks and credit unions should not be financial wellness bystanders, but should step in and make a difference.

The banking industry has specialists like financial advisors who are trained and certified to help people achieve their financial goals. But financial wellness is still a personal responsibility. People need to become more self sufficient and empowered through greater knowledge and confidence.

Our research indicates that many people remain uncomfortable talking about their financial situation and challenges. This remains a hurdle that needs to be overcome. If nothing more is done, we will face an alarmingly divided society and suffer all of the associated consequences.

(Read More: Financially Stressed Consumers Turning to Digital Wellness Tools)

An Agenda for Action

First, we should not overlook all the meaningful steps financial institutions have taken to assist those impacted by the pandemic, including distribution of stimulus checks/debit cards, forbearance on loans and more. Fintech companies have also been active in the market. But more needs to be done, and it should take a more holistic approach as opposed to narrow propositions.

Financial institutions should take a hard look at the existing "chutes and traps" people encounter in their day-to-day lives and look at some of the systemic issues we have in the industry. While this is not a complete list, here are a few thoughts banking providers should consider:

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Meet people where they are

Each person has a different challenge, and they occur at various points in time; some can happen suddenly. These could include:

- Income struggles – people living paycheck to paycheck, working multiple jobs, having poor credit, lacking a savings cushion. For these people we need solutions that recognize lifecycle moments and intervention when someone needs help managing their debt, repairing their credit, or gaining access to affordable credit.

- Spending challenges – people not managing cash flow effectively or not having a budget, too much debt from credit cards or auto loans, carrying a large student loan burden. Automated tools that help set budgets and track savings have proven to be effective in helping here.

- Working mothers – for women, simultaneously managing a career and a family creates unique challenges. It is important to understand the day-to-day realities of women and make managing their financial lives easy and convenient. This could include new and improved mobile applications and a better understanding of life events that provide relevant advice and services when they are needed.

Create a more inclusive financial wellness strategy

We've become more aware of the psychology of money and relationships between financial, physical and mental health, but it has not really led to the types of improvements that are needed.

It is important to help people develop a framework and strategy to balance their income and expenses, build and maintain savings, access and manage loans, plan ahead and increase their use of a wider range of financial tools. The diversity of people and their goals cannot be addressed in a single framework or set of solutions – it must be flexible to support a wide range of people in various financial positions.

Keep in Mind:

Consumers don't pursue financial health for its own sake, but as a means to achieve life goals.

All financial institutions have an obligation to ensure customers are in the best financial state they can be in. Proactive intervention can lead to vastly improved results. This can include reworking impenetrable language and lengthy terms and conditions that intimidate people, providing greater choice in product and transparency in price, and improving access, not only for those that are digital savvy but for those that rely on more traditional access to services.

Financial institutions are uniquely positioned to provide financial education and services, as they can bridge theoretical concepts with practical services and supplement them with necessary financial products. This could include access to low-cost financial products that are valuable for unbanked or underbanked clients and other services that support savings, investing, and easier access to credit.

Read More:

- 6 Keys to Designing a Best-in-Class Financial Wellness App
- Money Freaks Gen Z Out, Creating Opportunity for Financial Marketers
- Financial Wellness Tools Propel Fintech Deeper into Banking Space

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New Competitors Have Uped the Wellness Game

Incumbent financial institutions are coming under competitive attack from all quarters. Many fintech companies are disrupting incumbents with more modern tools and experiences that help consumers manage money and save for the future. These new offerings are not just focused on better design, but also include more attractive propositions that help consumers plan their spending and savings and more effectively manage debt.

Competition also comes from companies like Walmart. Millions of consumers have put their trust in Walmart to help them save money when they shop and now are receiving support with their financial needs. As Walmart continues to forge their new path in the financial world they can offer a proposition that goes beyond traditional products like credit cards, debit cards, check cashing and money transfer.

Walmart will have the ability to create an ecosystem for consumers that addresses financial needs and other needs such as health care, shopping, and more. This will be attractive to not only the underserved financial services consumer, but also the unhappily served financial services consumer who is seeking an alternative.

The Rewards of Financial Wellness

The goal of building financial systems is to provide inclusion and wellness and to enhance the financial security of individuals and families. But the benefits could have a much broader impact, expanding prosperity, creating greater economic productivity, and even supporting security with the financial system.

At the highest level, by having a wider and deeper engagement with banks and credit unions, people have the opportunity to increase their wealth and experience greater financial security. A more inclusive banking environment also can foster greater economic productivity by enabling people to pursue economic gain, all of which have positive repercussions for communities and the economy. Finally, pulling more people into the mainstream and moving economic activity from informal to formal markets can move transactions into the supervised Financial Services marketplace, reducing opportunities for criminal activities.

For financial institutions, a well designed and delivered financial wellness program will increase sales, develop greater engagement and strengthen branding, along with other more difficult to measure benefits within their communities.

At a time when competition can be fierce, targeted programs can assist people with "life event" timing when relevant advice and services are needed. The opportunity now before us is to make financial wellness a fundamental principle for the future of banking providers.

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