

# Better Communities

## Sustained Growth Exploring the Vacant or Underserved Niche Market

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## What are we selling in the Market?

Financial solutions to members life's milestones . . .






 "Most people do not plan to fail, but fail to plan."

## Dreams

Everyone has them.  
Dreams can be made into reality by harnessing them to a plan.

And

in every plan is a financial need.

 What people perceive about credit unions ...


Same old ...  
We are the place they can get a easy loan!

**Financial Crisis**






Are these common problems still experienced by our members?

- Lack of savings
- Unable to fund large purchases
- No cash for basic expenses (needs)



### Common Problems – How they Happen

- Living above means
- Mis-prioritizing expenses
- Poor planning

## Wealth Building Products or Debt Building Products?

- Which one are we in?



## How do we design our loan products?

Loans	Is this building wealth or creating Debts
<b>Consumption loans:</b>	
Emergency Loans	<b>NO</b>
Special Loan/Regular Loan	<b>Not sure</b>
Occasion/Festival/Wedding etc.	<b>NO</b>
Appliance Loan	<b>NO</b>
Car Loan	<b>NO</b>
<b>Productive Loans:</b>	
Agricultural Loan	<b>YES</b>
Business Loan	<b>YES</b>
Housing Loan	<b>YES</b>

**NO** - creating financial trouble, something that needs planning



## How do we design our products?

Savings	Is this building wealth and meeting future expenditures?
Emergency Savings	<b>YES</b>
Special Loan/Regular Savings	Not sure
Festival Savings	<b>YES</b>
Wedding Savings	<b>YES</b>
Education Savings	<b>YES</b>
Appliance Savings	<b>YES</b>
Car Savings	<b>YES</b>



## Learn the Language of Wealth Creation

Accumulating wealth – as distinct from just making a big income – is the key to your financial independence. It gives you control over assets, power to help shape the corporate and political landscape, and the ability to ensure a prosperous future for your children and their heirs.

*Rev. Jesse L. Jackson, Sr.*



## Market – Wealth Building Products

Impact to Coops	Impact to Members
Financial Viability – sufficient liquidity from Savings – 70–80%	No financial worries – members able to plan for emergencies, future expenses, planned purchases & fulfill their dreams
Sustainability & enable to translate mission into action	Enabling them Grow



## Debt Building Products

Impact to Coops	Impact to Members
No Financial Viability – high delinquency, no reserve fund, low liquidity, low savings from members	Financial trouble– cannot pay the loan on time, no clear plan for their financial future
Failed to fulfill the Mission or Mission Drift	Remain poor – very insignificant economic development



### America's financial literacy

- ▶ American families:
  - The average American family spends \$1.22 for every dollar it earns.
- One in five American families with annual household income of less than \$50,000 is spending 40% of after-tax income to service its debt.
- In 2003, the average American household owed \$8,000 in credit cards, compared to \$2,600 in 1989.
- In 2003, 1.6 million Americans filed for bankruptcy - the highest number in history.



### America's financial literacy

- 2 out of 3 households will probably fail to realize life goals
- Financial illiteracy is passed to the next generation
  - Average high school senior failed 2004 financial knowledge survey



### Some examples of Members' Challenges

- ▶ No financial discipline
- ▶ Spending for non-essential expenses
- ▶ No savings habit
- ▶ Does not know how to prioritize expenses
- ▶ No proper budgeting
- ▶ No proper record of expenses
- ▶ Do not observe money management



### Financial literacy

- The ability to effectively evaluate and manage one's finances in order to make prudent decisions toward reaching life's goals
- The understanding of:
  - Money
  - Cash flow
  - Basic economic/financial concepts
  - Debt/risk management



### Some examples:

- ▶ Prepare a family budget
- ▶ Implement and achieve a Savings Program
- ▶ Prepare Financial Goals and achieve them
- ▶ Adopt Financial disciplines
- ▶ Reduce unnecessary expenses
- ▶ Learn to prioritize expenses
- ▶ Use financial tools for smart money management
- ▶ Seek the credit union's advice



### Philippine Savings Culture

- ▶ one of the lowest savings rate in the world.
- ▶ >90% of Filipinos have too little or no savings at all and this number includes people who have the capacity to save.

Source: <http://www.pinoysg.com/money-sense/filipino-savings-culture.html>



## Philippine Savings Culture

- ▶ “They still spend on non-essential items, like buying
  - a DVD player and TV set, or
  - cigarettes and alcohol,
  - or spending so much for a party to celebrate a child's first birthday!

These people may be considered as living in the **“culture of poverty”**

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## Philippine Savings Culture

- ▶ “Lastly, Filipinos generally have low financial IQ.
- ▶ There are people who are capable of saving but still fail to do so because they are financially illiterate.”

Source: <http://www.pinoysg.com/money-sense/filipino-savings-culture.html>



## Philippine Savings Culture

- ▶ “Culturally, it's a dangerous situation we're in, and we better start thinking of strategies to improve our financial situation.
- ▶ We have to start especially with **children by influencing them of the proper culture of savings.**
- ▶ Do not make the poverty issue as an excuse, but rather use it as a challenge.”

Source: <http://www.pinoysg.com/money-sense/filipino-savings-culture.html>



### Conclusion:

**re-check whether your credit union has inculcated Financial Literacy to your Members?**

**The services coops are offering (marketing) are solutions to achieve life goals of members.**

**Life Goals can be achieved through financial literacy – this we need to market – members and potential members.**



**I believe your coops can make a better life for the Filipinos.**

**Thank you!**

