



CONCEPT DOCUMENT

{Pocket Protector}

TEAM WXMW

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PROBLEM DEFINITION

How might we help people prepare for unplanned financial events?

People are faced with unexpected financial needs daily. If not prepared, these unexpected events can create roadblocks and stall even the slightest progress towards financial goals. According to a Bankrate article in 2017, 60% of Americans don't have enough savings to even cover a \$500 - \$1,000 expense. Without these financial resources, consumer's lives are negatively impacted in many ways. Financial stress plays a significant role in negatively impacting consumer health and wellbeing.

Budget setting, goal management and ongoing vigilance of finances can be beneficial to consumers, but are daunting to undertake for many. Tools are available to help consumers, however, for an example according to research done by Celent, fewer than 4% of online banking customers are active users of personal financial management tools. Many require a lot of effort and little payoff as there are no guarantees that the action you need to take will actually occur. Consumer's actions must be in alignment with the desired spending and saving goals as current financial management tools still rely heavily on consumer behavior alone to get the desired results.

According to an FDIC study in 2016, underserved consumers report that they feel their financial providers have opportunity to increase encouragement of long term financial management amongst customers. The surveyed also report that they would like to see more aggregate or trend account information that can be accessed through mobile tools to help effectively monitor progress towards fulfilling financial goals like spending, saving and budgeting. Consumer perception regarding the opportunity for financial institutions to help in the area of long term financial management is very strong and consumer confidence is high regarding openness to such opportunity in this area.

Being prepared for unplanned financial events is one way to help consumers prevent undue financial stress and building an emergency fund one technique. Finance experts stress the importance of having an emergency fund equivalent to six months' worth of expenses to cover unanticipated expenses and to avoid long-term financial damage. Research would suggest that even a small savings account regularly replenished can be instrumental in staving off life derailments. Saving money can be very daunting to many. Building an emergency fund can be a challenge, especially if you live paycheck-to-paycheck or have a tendency to spend more on unnecessary items than you cannot afford. Fortunately, technology can make the whole process easier. The most effective ways to build an emergency fund are to budget your savings as part of your regular household expenses and cut back on discretionary spending (Investopedia, 2015).

According to a recent survey conducted by WXMW, 56% of respondents said they experienced a time when they didn't have the money to cover an unexpected financial need and 78% feel they could be more prepared for unplanned financial burdens if they could manage their spending and savings. 59% of respondents said they have either not used a budgeting tool or haven't found one that is useful.

INNOVATIVE SOLUTION

Pocket Protector is a proactive budgeting tool that partners with consumers using real-time interaction helping establish and maintain budgetary goals via preventative behavior methodology.

Pocket Protector is no ordinary, boring budgeting tool that you can ignore. It is an in-your-face, hold-you-accountable, “you got this” financial partner. Like a lot of budgeting tools, Pocket Protector helps you create a budget based upon your financial goals by allocating spending limits into categories, including emergency savings. However, Pocket Protector goes deeper than budgeting. Beyond offering visual and financial budget breakdowns, this tool reminds consumers via real time notifications of pre-determined spending goals and verifies spending decisions are in alignment at the time a purchase may occur and again at the time of the purchase.

Pocket Protector is unique because of two specific capabilities: 1) The application uses a smart phone’s geo location to notify the user the amount of money left in a certain budget category based upon the store they enter and 2) The application has the ability to decline an in time ACH transaction at the point of sale if the amount of the purchase is above the category’s remaining budget. The application also allows the user to override the ACH decline by deciding which other budgetary category will fund the overage.

By providing a budgeting tool that supports the user in his or her financial goals, the ability for consumers to contribute to an emergency fund on a consistent, ongoing basis increases significantly. With prompts via automatic reminders, Pocket Protector uses preventative tactics to alert users helping them make good spending decisions in alignment with their predetermined financial goals. The tool’s use of declining above budget purchases, prompts consumers to remain accountable to their desired budget goals.

PROTOTYPE

In designing a prototype, user intuition and engagement were key elements. We needed a tool that would exude trustworthiness and partnership and something that had the ability to be customizable based upon a user’s desired interaction persona.

Team WXMW built out smart phone/ wearable application graphic prototypes that simulate the look and feel of Pocket Protector giving consumers a realistic example of what they would encounter using the fully-functional solution. Process flow charts were also prototyped looking at how the functionalities would operate. See *Appendix I* for complete process flow chart prototypes.

The prototype applications were graphically enhanced to show the following key functionality (see corresponding graphics below):

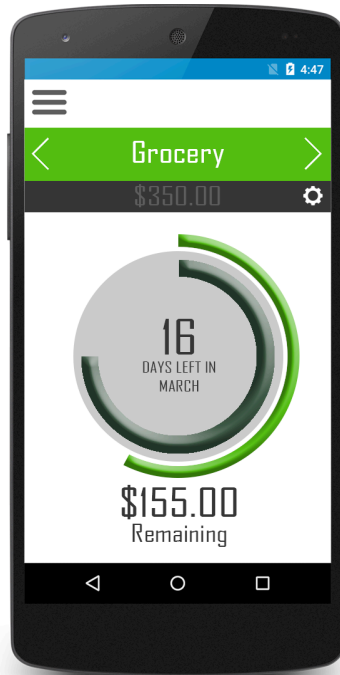
1. Budget: A basic visual management tool that users can view at-a-glance desired and actual monthly budget.
2. Single Budget Category Analysis: This visual management tool allows users to view a single budget category to be able to quickly see how total spent compared to days left in the budgeting cycle.
3. Real Time Notification: Automatic pop ups alert users when entering destinations where purchasing may occur using geo location built into smartphones.
4. Prompt to Process Over-Budget Purchases: Automatic prompt allowing user to override purchase transaction that goes over allocated budget or decline purchase on the spot.

5. Wearable Application Example

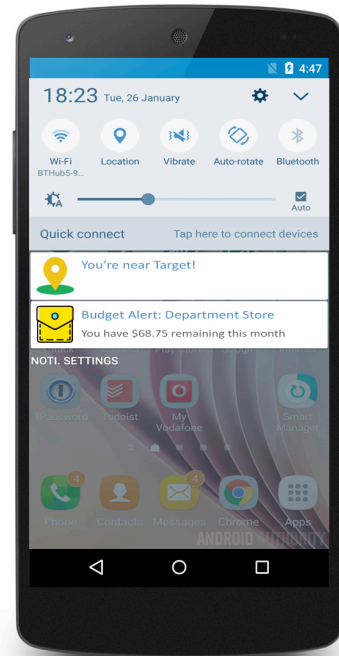
1. Budget Visual Management Tool



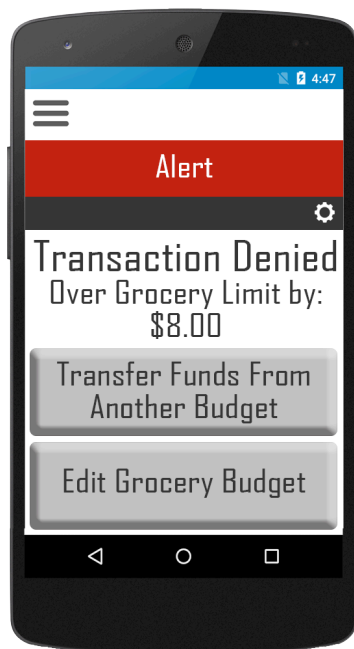
2. Single Budget Category Analysis



3. Real Time Notification



4. Prompt to Process Over-Budget Purchases



5. Wearable Application Example

TESTING AND RESULTS

Survey:

Confidential surveys were distributed in three ways: Random public sampling via paid Survey Monkey data collection process, email survey to current employees working at the four credit unions represented by the project team, and social media link posted by team participants. Over a period of twelve days, we received 570 responses to the survey. Participants who completed the survey, did so voluntarily.

The survey included 9 questions and a two minute video introducing the concept of Pocket Protector (See Appendix II for complete results.). According to the survey results, although 44% of respondents stated that have not used a budgeting tool, 59% of respondents said they would use Pocket Protector. Based on additional survey data, consumers state they need help saving and are having trouble with current tools in the marketplace.

Survey results found that 55.21% of respondents would like push notification alerts as they stated the real time pop-ups would be either very useful or extremely useful. 61.44% of respondents found it very useful or extremely useful to be able to adjust and move money from one budget to another in real time. We asked respondents a series of questions gaging their knowledge of budgeting and budgeting tools. We found that that 78.18% of respondents believe that if they could properly manage spending (i.e. having a budget) they could be more prepared for an unplanned financial burden.

BUSINESS MODEL AND 3-YEAR FINANCIAL PROFORMA

A three year proforma was created in order to determine the viability of Pocket Protector. Multiple scenarios were run to determine how Pocket Protector would perform based of various assumptions. Some of these assumptions included:

- Pricing
- # of Credit Unions
- Adoption Rate of Credit Unions
- Expenses

We ran multiple scenarios in the model and found that Pocket Protector is viable even under conservative estimates. The following model shows one of the outcomes we calculated. This model will be refined through deeper research and scoping of the final solution.

Pocket Protector Three Year Financials						
# of Members/month		Tiered Pricing/Active User		Number Average Members - Annualized		
				Year 1	Year 2	Year 3
2,500		\$1.00		1,500	3,000	6,000
5,000		\$0.80		2,500	7,500	10,000
7,500		\$0.70		7,500	22,500	30,000
10,000		\$0.50		100,000	250,000	400,000
Total Members				111,500	283,000	446,000
Annual Income from User Fees				Year 1	Year 2	Year 3
				\$1,500	\$3,000	\$6,000
				\$2,000	\$6,000	\$8,000
				\$5,250	\$15,750	\$21,000
				\$50,000	\$125,000	\$200,000
Total User Fee Income				\$58,750	\$149,750	\$235,000
One Time Set Up Fee Assumptions:			Number of CU	10	25	40
			Set up fee	Year 1	Year 2	Year 3
Below \$100 Million			\$0	\$0	\$0	\$0
\$101-\$200 Million			\$1,000	\$1,000	\$1,000	\$2,000
\$201- \$500 Million			\$1,500	\$1,500	\$3,000	\$1,500
\$501- \$750 Million			\$2,500	\$2,500	\$5,000	\$2,500
\$751-\$999 Million			\$5,000	\$10,000	\$15,000	\$15,000
\$1 -\$2 Billion			\$7,500	\$15,000	\$22,500	\$22,500
Over \$2 Billion			\$10,000	\$20,000	\$30,000	\$30,000
Total Set Up Fee Revenue				\$50,000	\$76,500	\$73,500
INCOME				Year 1	Year 2	Year 3
Revenue From Annual Applications				\$58,750	\$149,750	\$235,000
Revenue from one time set up fees				\$50,000	\$76,500	\$73,500
Total Revenue				\$108,750	\$226,250	\$308,500
EXPENSES						
Website Development				\$150,000	\$10,000	\$10,000
Programming/Testing				\$2,500	\$5,000	\$7,500
Website Hosting				\$9,000	\$11,000	\$15,000
Content Updates				\$1,000	\$2,500	\$5,000
Updates / Maintenance				\$1,500	\$2,500	\$10,000
Marketing				\$20,000	\$40,000	\$60,000
Compliance Reviews				\$8,000	\$10,000	\$15,000
Overhead Support/Adminstration				\$40,000	\$60,000	\$100,000
Total Expenses				\$82,000	\$141,000	\$222,500
Net Income(Loss)				\$26,750	\$85,250	\$86,000

ASSUMPTIONS

			<i># of Credit Unions Contrated for Pocket Protector</i>		
	<i>Average # Members in CU</i>	<i># of Members using Pocket Protector</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
Below \$100 Million	5,000	500	1	2	4
\$101-\$200 Million	10,000	1,000	1	2	4
\$201- \$500 Million	25,000	2,500	1	3	4
\$501- \$750 Million	75,000	7,500	1	3	4
\$751-\$999 Million	100,000	10,000	2	5	8
\$1 -\$2 Billion	150,000	15,000	2	5	8
Over \$2 Billion	250,000	25,000	2	5	8
Total			10	25	40

Estimated Adoption Rate **10%**

<i>Total # active members using Pocket Protector</i>			
	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>
Below \$100 Million	500	1,000	2,000
\$101-\$200 Million	1,000	2,000	4,000
\$201- \$500 Million	2,500	7,500	10,000
\$501- \$750 Million	7,500	22,500	30,000
\$751-\$999 Million	20,000	50,000	80,000
\$1 -\$2 Billion	30,000	75,000	120,000
Over \$2 Billion	50,000	125,000	200,000
Total	111,500	283,000	446,000

COMMENTS, NEXT STEPS, AND CALL TO ACTION

Pocket Protector was created based upon research that states that consumers have a need for a financial management tool that is both easy to use and effective in holding the user accountable to determined financial goals. Consumers realize the market lacks a budgeting tool that bridges the gap between the desired and actual spending and savings action that occur. Using current technology that most consumers have access to, Pocket Protector protects the pockets of consumers by actively engaging as a partner to assist in making financial decisions.

Based on the research done by WXMW, the next steps in moving Pocket Protector forward would be validating the technology around the integration of multiple vendors as well as determining more around consumer acceptance of declining transactions. Although we feel that consumers are becoming less sensitive to a declined transaction encounter, it is one hurdle in the concept that must be thought through to determine viability.

The concept of Pocket Protector is one of engagement and empowerment. Consumers need personal financial management tools to boldly step up and use current technology to support desired behaviors in a way that has never been done before and Credit Unions can be impactful in making this happen.

ABOUT FILENE

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the president/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: "Progress is the constant replacing of the best there is with something still better." Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) nonprofit organization. Nearly 1,000 members make our research, innovation, and impact programs possible. Learn more at filene.org.

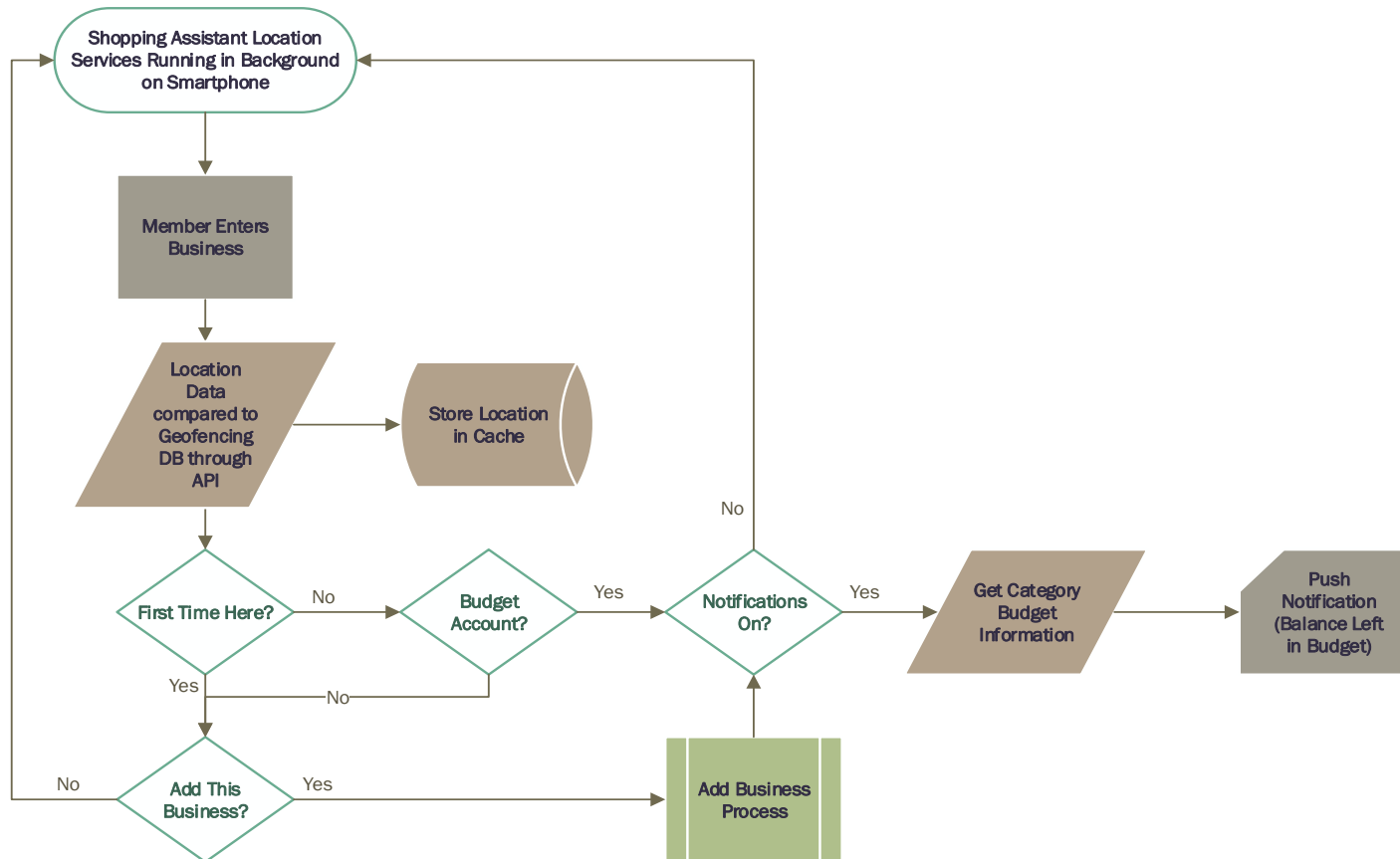
"Progress is the constant replacing of the best there is with something still better."

— Edward A. Filene



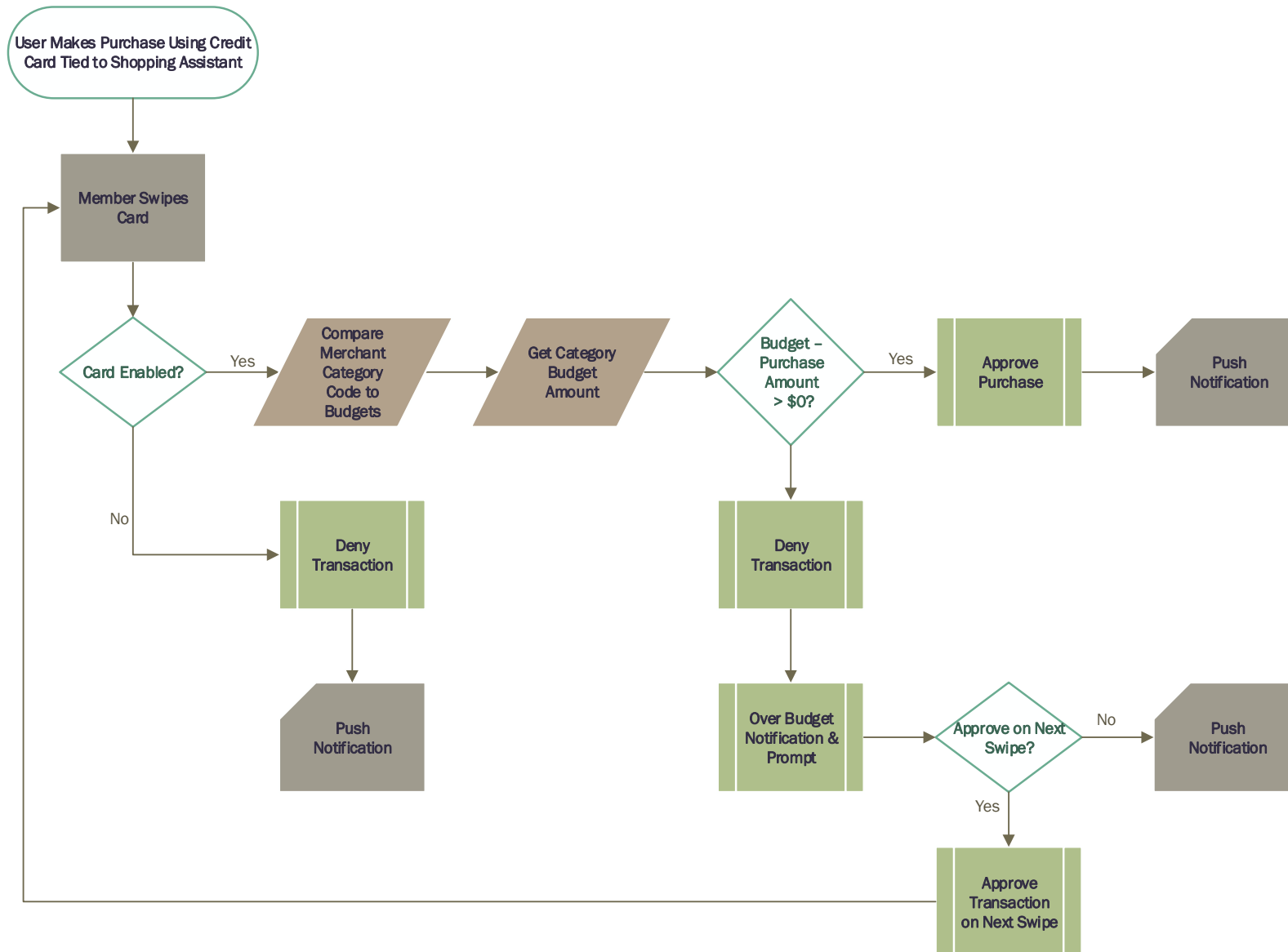
Appendix I: Concept Flow Charts

Concept Name: Pocket Protector
Process: Geolocation Notifications



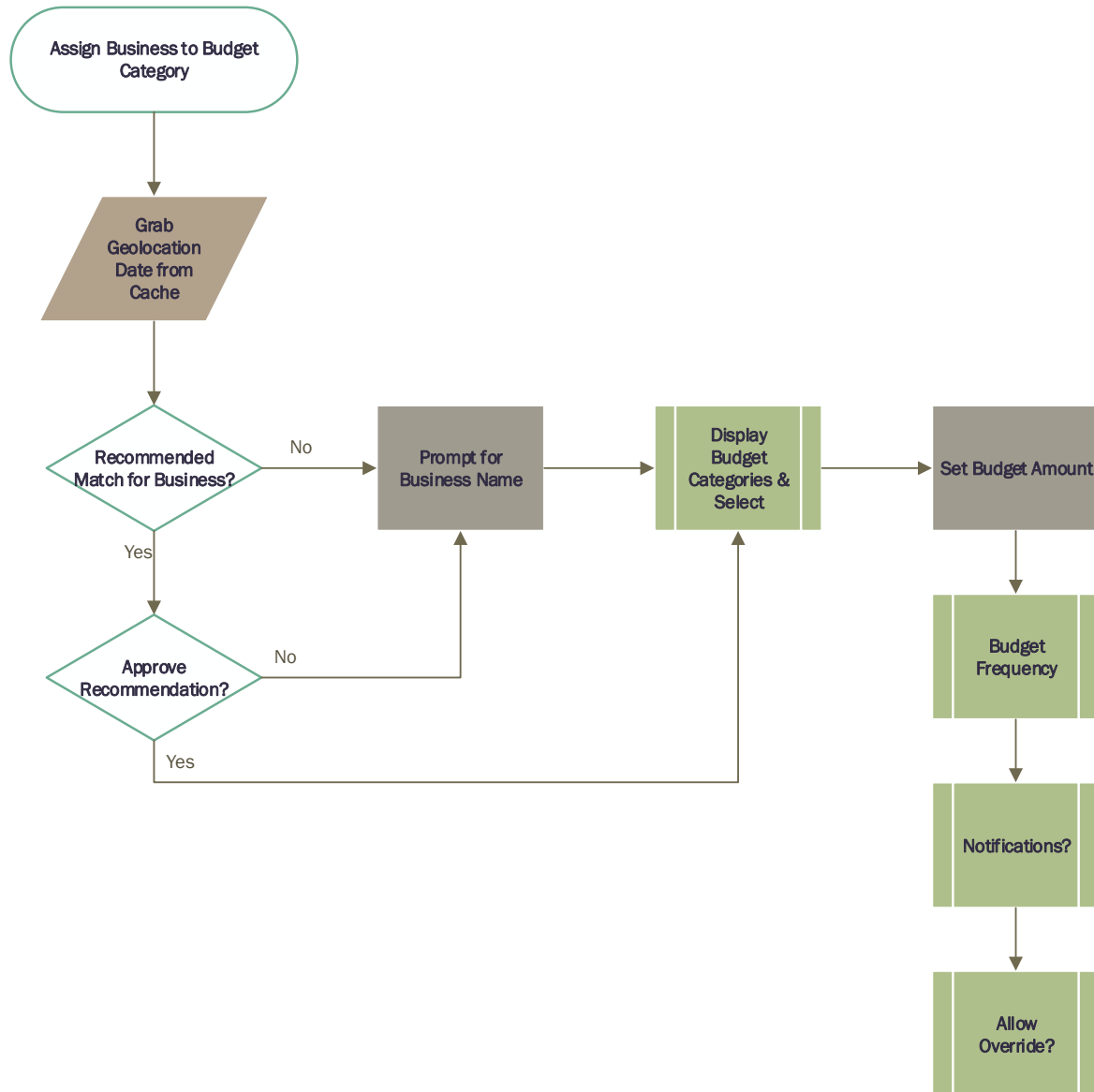
Concept Name: Pocket Protector

Process: Purchase Process



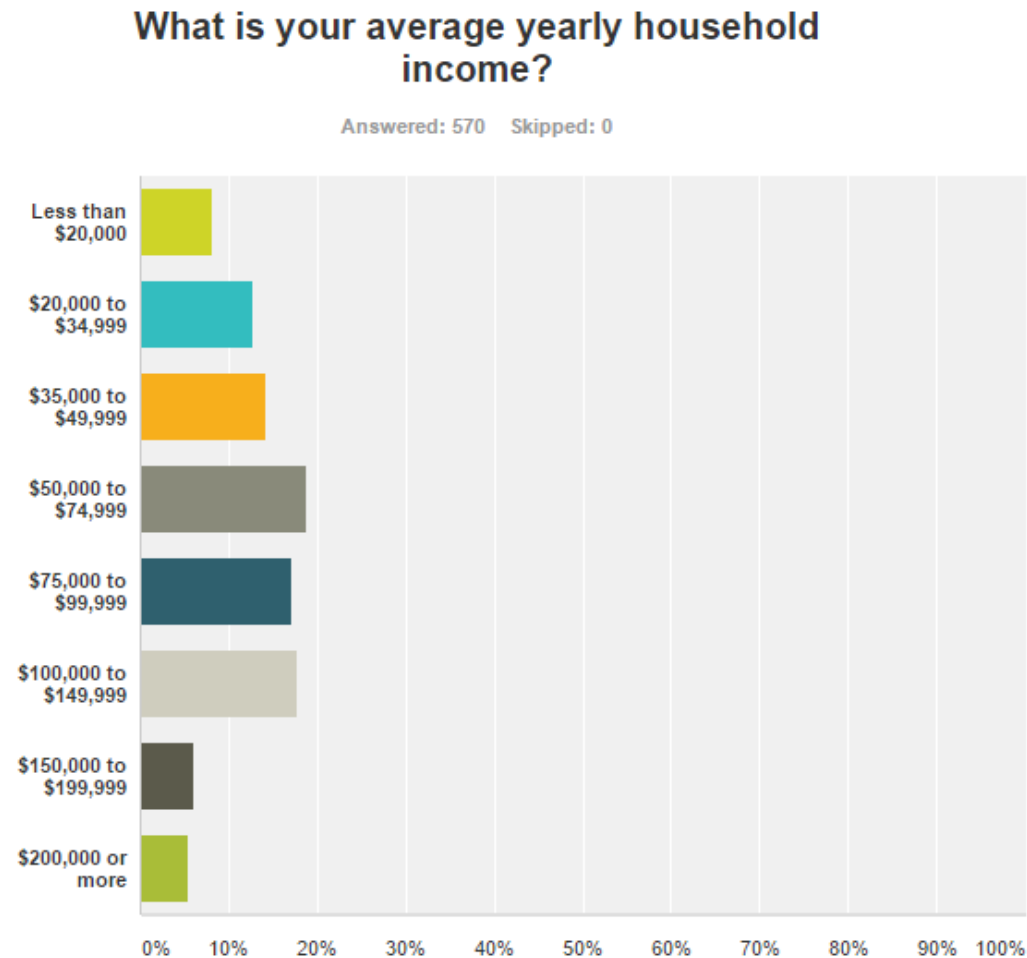
Concept Name: Pocket Protector

Process: Add Business Process



Appendix II: Survey Results

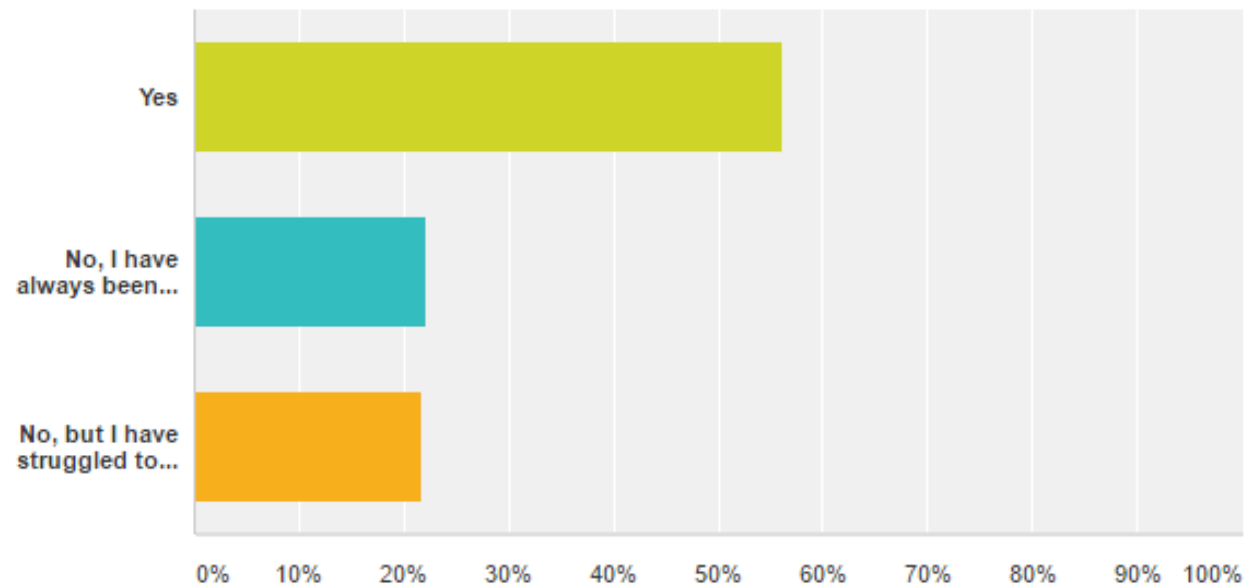
Data collection occurred over the course of 12 days. Three sources were used to gather our total sample size of 570 respondents. 3 survey links were created for 3 different collections groups. The first group was random sample gathered by Survey Monkey for a total of 242 total responses. A social media link was created to gather the second set of respondents for a total of 93 survey responses (social media sites used were Facebook and LinkedIn). Finally, the final survey link was sent out to employees of Kern Federal Credit Union, Educators Credit Union, Northwest Community Credit Union, and Oregon Community Credit Union for a total of 235 respondents. Respondents represented a wide range of income levels with a normal distribution of income.



According to Forbes, 63% of Americans don't have enough money in their savings to cover a \$500 emergency. Based on our survey research results, we found that 56.14% of respondents said they experienced a time when they didn't have enough money to cover an unexpected financial emergency.

Have you ever experienced a time when you had an unexpected financial need and didn't have the money to cover it?

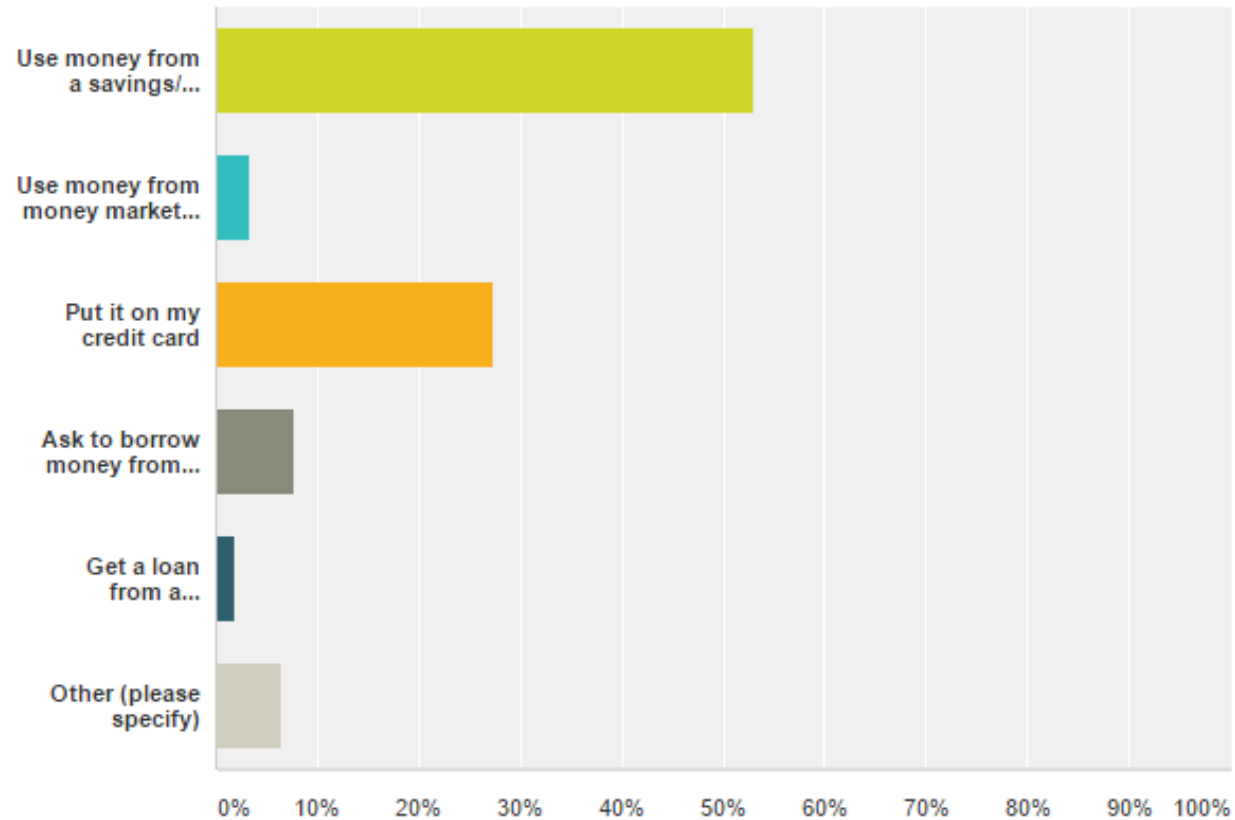
Answered: 570 Skipped: 0



We asked respondents how they would fund a \$500 refrigerator cost and 46.87% said they would use something other than money from their checking or savings account to fund the repair.

If you refrigerator broke today and it would cost \$500 to replace it, how would you fund that cost?

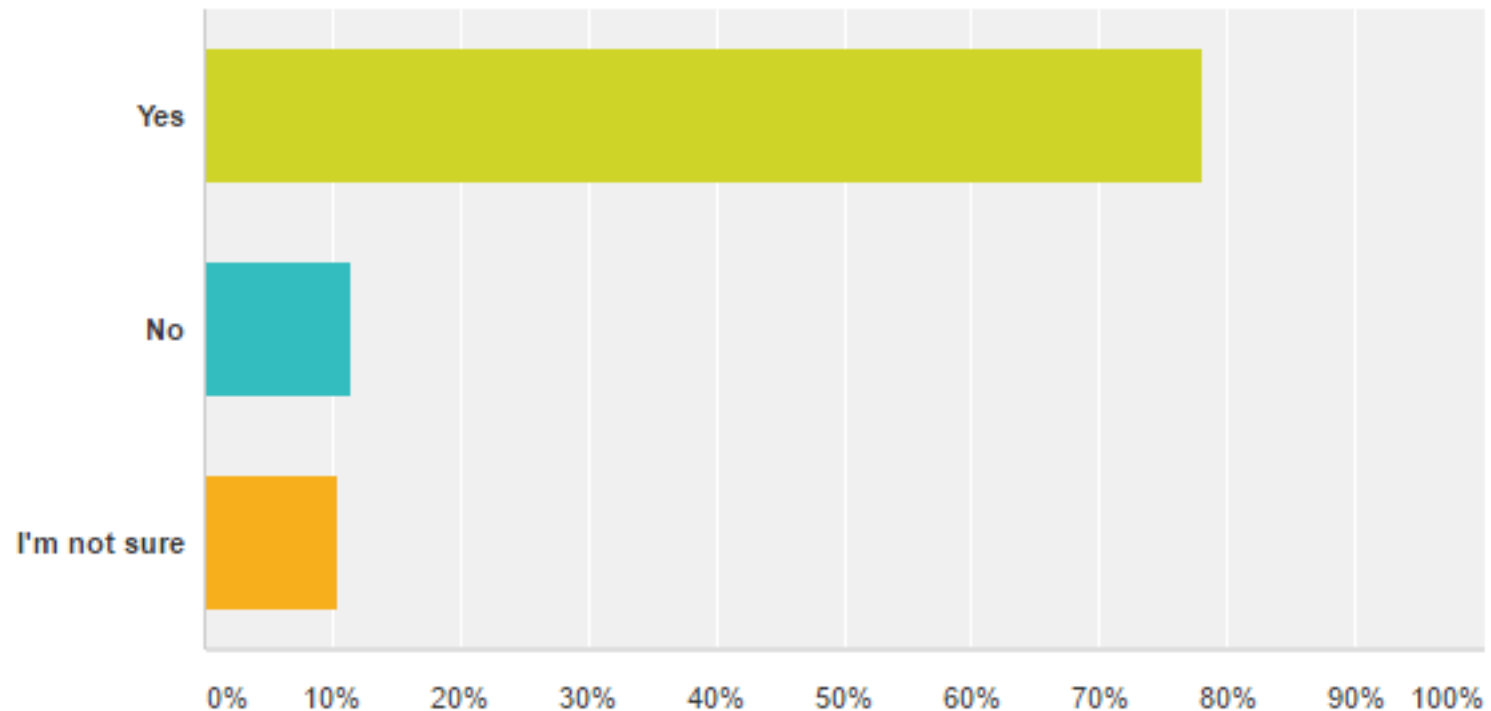
Answered: 559 Skipped: 11



We asked respondents a series of question to gage their knowledge of budgeting and budgeting tools. We found that that 78.18% of respondents believe that if they could properly manage spending (i.e. having a budget) they could be more prepared for an unplanned financial burden.

Do you believe that if you could manage your spending and savings, you could be more prepared for unplanned financial burdens?

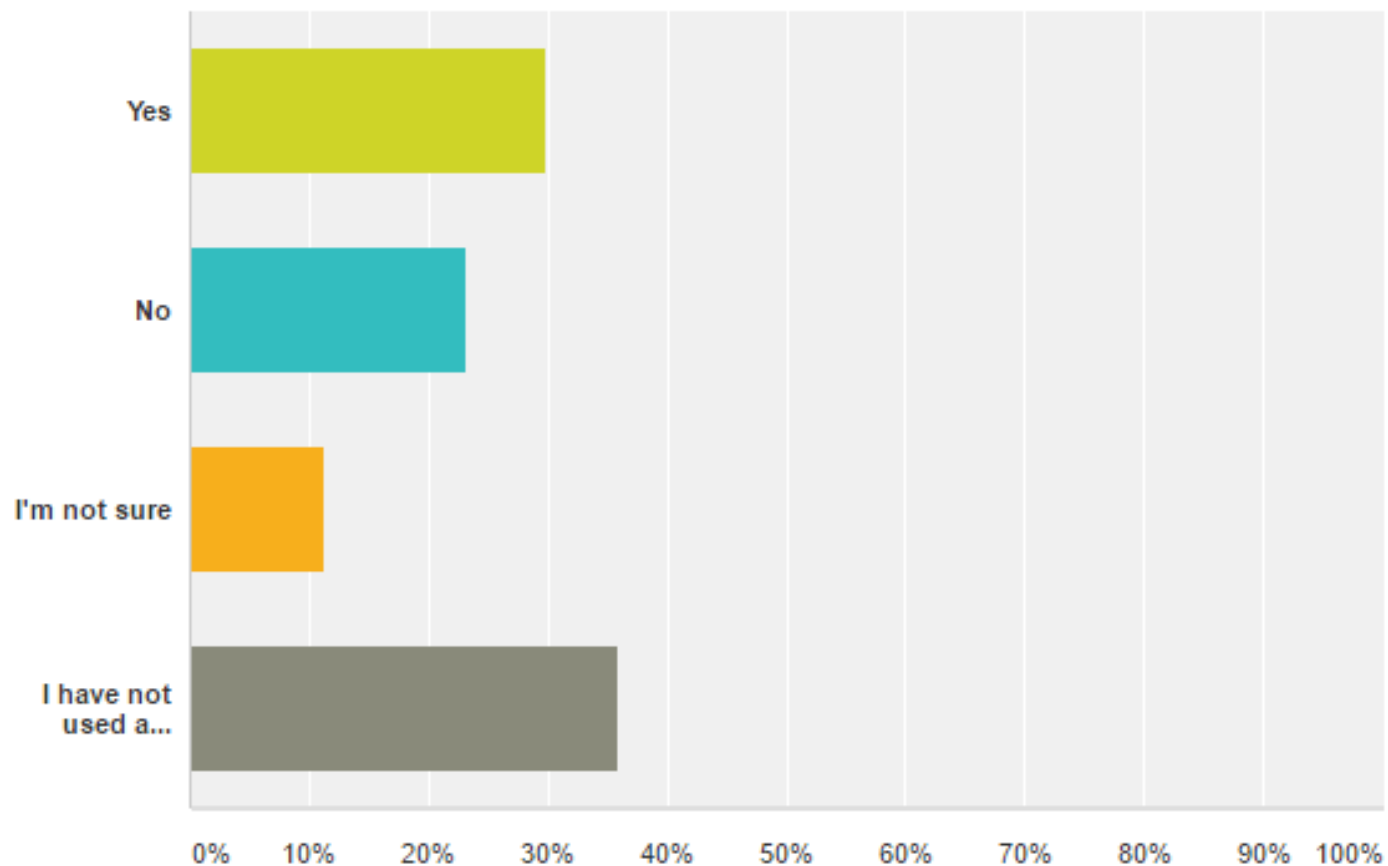
Answered: 559 Skipped: 11



Next we asked respondents if they have used a budgeting tool and if this was an effective tool for managing savings. 70.13% of respondents either didn't find a tool effective, were not sure of the tool was effective or had never used a budgeting tool.

If you have used a budgeting tool, do you feel they have helped you effectively manage a savings account that could be used for unplanned financial events?

Answered: 472 Skipped: 98



Next we starting to ask about some of the features of Pocket Protector and how it differs from other budgeting tools and application on the market. We found that 55.21% of respondents would like push notifications alerting you of your remaining grocery budget when you enter a grocery store to be either very useful or extremely useful. 61.44% of respondents found it very useful or extremely useful to be able to borrow against other budgets on the fly so they don't go over their grocery budget.

	1- not useful	2- slightly useful	3- neutral	4- very useful	5- extremely useful	Total	Weighted Average
You walk into a grocery store. You notice a pop up on your cell phone screen that says, "You have \$150 to spend on Groceries"	14.23% 67	12.53% 59	18.05% 85	31.85% 150	23.35% 110	471	3.38
You decide to spend over your allotted grocery budget. You are given the option to reduce another budget to fund the overage. You decide to decrease your clothing budget by \$17.	13.56% 64	8.47% 40	16.53% 78	37.08% 175	24.36% 115	472	3.50

Finally, based on the current habits of spending and saving among consumers in combination of our own collective data, we can conclude there is a need for a budgeting tool like Pocket Protector in the marketplace. Consumers need a budgeting app that can truly hold them accountable with their spending. Based on our data, consumers need help saving and are having trouble with current tools in the marketplace. Add to this the struggle of not being able to handle unexpected financial emergencies we feel that Pocket Protector will fill a void where other budgeting tools are missing the mark.

In fact, 59.11% of respondents said they would use Pocket Protector after watching a short video about the product, features, and benefits. Upon a deeper dive into the responses many of the “No” responses show either a lack of an understanding on current budgeting tools or this is a tool they would only trust if it was from their financial institution. We can assume, based on the data collected, that we would possibly have a higher level of “Yes” responses after more education on the product.

Please watch this short 2 minute video below. Would you use this budget tool?

Answered: 472 Skipped: 98

Answer Choices		Responses	
Yes (please explain)	Responses	59.11%	279
No (please explain)	Responses	45.13%	213

*Data collected is within a 90% confident level and a margin of error of 4.10% based on sample size of 570 and a population size of 247,813,911 million American's over the age of 18.