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## Online Or In Person Literacy

by [Steve Brown](#)

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Literacy, or the ability to read, is basic to normal function in the world. Global literacy for adults stands at 84% according to studies, with males at 89% and females at 80%. Most developed countries have nearly 100% literacy rates but there are still 775mm illiterate adults in the world. Further, 67% of the world's illiterate adults are women and in Afghanistan with a 28% overall literacy rate (lowest in the world), fewer than 13% of women are literate. While most developed countries have high basic literacy, financial literacy is another story.

Financial literacy is defined as the ability to understand how money works. It is the measure of the skills and knowledge to make informed and effective decisions about money. What is really interesting though is that the level of financial literacy in the United States came into sharp focus after the credit crisis of 2008. This event brought to light how many people had taken on far more debt than they could ever repay. New laws, the formation of the CFPB and tougher underwriting standards have all combined to tamp down the excesses of that period, but do individuals know more than they used to other than anecdotally? A recent quiz administered in a study by economists finds 67% of people failed simple personal finance questions and only 28% understood the correlation between interest rates and bonds.

While government agency web sites like the CFPB have great information, it appears few U.S. citizens are availing themselves of the information. If you Google "how can I improve my credit score," there are plenty of legitimate organizations right alongside fly-by-night debt consolidation outfits. Surveys have found that most people do not seek out financial information, but tend to come by it haphazardly. This can be from friends or family, clicking on an internet ad, or sometimes speaking to someone in a bank. One issue with lighter customer traffic in banks given a shift toward digital channels is that financial literacy in the U.S. as a whole could suffer.

Perhaps the digital answer is a start-up financial web site that aims to fill the need for accessible financial information. The site is called Phroogal and is based upon the idea that a social collaboration approach could be more effective at communicating legitimate financial information than traditional financial web sites which tend to be populated with FAQs. The site provides a search engine-type forum for people to ask questions and for other users to relate experiences and get answers from professionals. The site links in pages from the CFPB with relevant information on a specific inquiry. The idea is to link an informational and social approach for financial questions. We don't know if it will raise the financial literacy of the U.S. but it is interesting nonetheless.

To be sure, banks continue to be one of the best places for consumers and business owners to find helpful financial information. However, given the public's reticence to ask questions and less frequent bank visits, we think this new collaborative forum may be helpful. Another idea that historically was common in community banks but that we hear about less frequently now is to give financial seminars. These events can increase the level of understanding of customers and potential customers on various financial topics including retirement among baby-boomers, savings plans for Millennials and estate planning for older individuals. Seminars are a good way to connect with customers and to generate new prospects.

Over time, we think the better informed customers become when it comes to financial matters, the more likely it is they will appreciate the level of expertise and service their community bank provides. Some people are shy, so be sure to train your customer facing staff to ask leading questions to get conversation started as you do your part to enhance financial literacy. Through better digital tools and a bit of outreach, everyone can help achieve the goal of a more financially savvy public that eventually will understand the value a community bank delivers.

## **BANK NEWS**

### **Customer Balances**

The Fed reports the average checking account had \$4,434 in balances in 2013 vs. \$4,036 in 2012.

### **Derivatives Market**

The Bank for International Settlements (BIS) reports banks and securities dealers worldwide held derivatives with a combined notional value of \$693 trillion (as of Jun 2013).

### **Still Writing Checks**

A survey by GoBankingRates finds consumers write personal checks on the following basis: never (38%), a few times per year (20%), once per month (16%) or several times per month (26%).

### **No More Checks**

A survey by GoBankingRates finds the ages of consumers who said they never write checks anymore are: 65+ (28%), 55-64 (26%), 45-54 (32%), 35-44 (47%), 25-34 (35%) and 18-24 (61%).

### **Loan Growth**

Banks tracking economic growth as a proxy for annual loan growth will note the Q4 GDP came in at 2.6%.

### **Ownership Down**

CNNMoney reports 65% of Americans own a home vs. 69% in 2005.

### **Jobs**

A Demos study finds nearly 50% of those unemployed are under the age of 34. Perhaps that is why a Pew study finds 78% of adults aged 25 to 34 that are living with their parents are satisfied with their living situation.

### **Less Income**

A professor of economics at George Mason University reports household income adjusted for inflation has fallen 4.7% since the recession.

### **Home Prices**

CoreLogic reports prices in the hottest markets in 2013 will increase an average of 2.7% annually for the next 4Ys vs. 3.1% nationwide over the same period.

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