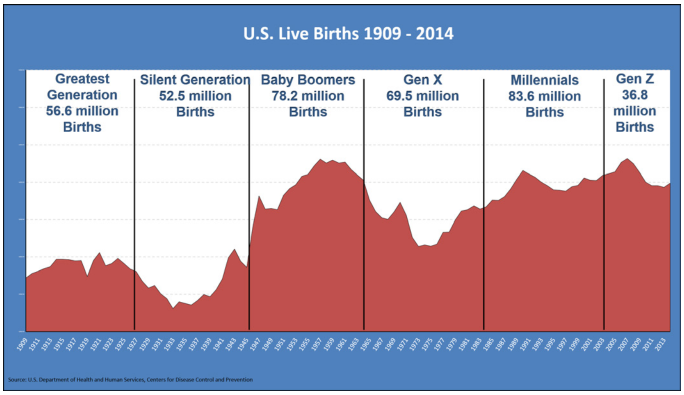
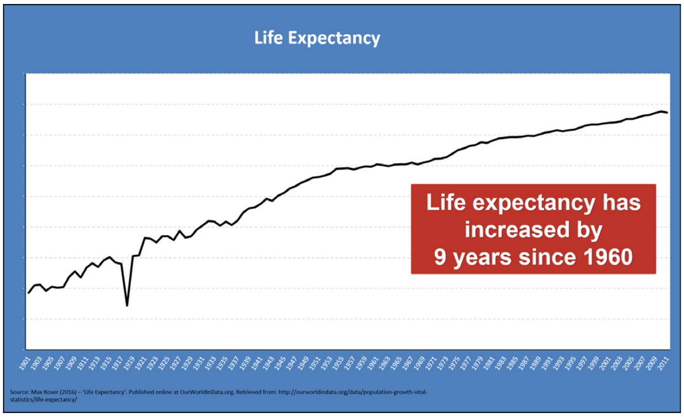
as seen in

A GOLDEN AGE
FOR CREDIT UNIONS IS HERE
ARE YOU READY TO COMPETE?

By Tom Long





The need for growth is real.

Thin margins have become the new normal. The revenue impact of this margin collapse requires additional volume. Furthermore, credit unions are faced with increasing costs of doing business. Contributing factors include required investments in technology and year-over-year increases in salary and benefits expense. By necessity, a sustainable business model is one that is focused on revenue growth.

This certainly does not describe a golden age. So, let's examine the macroeconomic factors that will drive revenue growth on a sustained basis for every credit union.

For over 23 years The Long Group has been capturing the pulse of financial purchase behavior among both consumers and business. Today, the collective voice contained in the database is hundreds and hundreds of thousands strong, offering unparalleled predictive value. Here is what we see and how each credit union will benefit from the evolving macroeconomic environment.

With an acute need to grow revenue to offset the impact of margin compression as well as the requirement to pay for an increasing expense burden, two sweeping changes will favorably impact demand to the benefit every credit union.

The first shift is demographic. The population of the United States is shaped by generations, with a new generation born once every 20 years. Generations are tracked through time by trending births. The exhibit is utilized to illustrate more than a century of generations within the United States. As an orientation, Tom Brokaw famously introduced America to the term the Greatest Generation. This generation won World War II and built this great country. Few remain with us today. The generation that followed was named the Silent Generation, simply because they had no war stories to tell. Post-war prosperity ushered in the Baby Boomers, which was followed by Gen X and the Millennials. As children, Gen Z is currently shaping itself.

As credit unions, we, as an industry, are in the business of selling finished goods – loans – and sourcing raw material – deposits. To date our primary loan target audience has been Gen X and corresponding deposit audience has been the Silent Generation. What do these two segments have in common? They are both the two smallest generations of the last century, which has compromised every credit union's ability to grow.

The generational shift, now underway, is ushering in a golden age of banking and the accompanying explosive growth in demand for both loans and deposits. To succeed, Millennials and Baby Boomers must fast become the focus of every credit union's loan and deposit generation strategy. More importantly, this shift in focus will benefit each credit union with a rise in both loan and deposit demand over each year for the next 20 years. The need for additional revenue is clear. The opportunity to capture it is sustainable.

The second macroeconomic factor shaping demand is characterized by a behavioral shift. This behavioral shift is perhaps best captured by life expectancy in the United States, which has expanded by nearly a decade in the last 55 years. Consumers simply have more time, and they have used this time to defer marriage by six years over the last half century. This of course has a trickle-down effect – deferring marriage also means deferring homeownership. The average first-time homebuyer is now 33 years old.

Since the oldest Millennial is now 31 years of age, every credit union generally has 18 months to ready themselves for the pending and sustained tsunami of Millennial demand. Is your financial institution ready?

Tom Long is principal of The Long Group LLC. The Long Group offers a suite of trademarked solutions for financial institutions to improve performance by driving revenue and controlling cost. He can be reached at 603-424-5664 or tomlong@longgrouponline.com.