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The Impact that an Aging American Population has on Financial Institutions

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ABSTRACT

This thesis will focus on the study of America's aging population and the impact this population has upon financial institutions and the services and products these institutions provide.

Research has shown that real estate and cash are the primary sources of wealth for the majority of older adults. Banking institutions realize that with the ever-increasing size of this population, special programs, incentives, and services may need to be provided in order to maintain the loyalty of older clients.

In recent years, financial institutions have hired management consulting firms to confirm that the older banking consumer of the 1990s will dramatically affect the ways banks design, package, market, and deliver their products and services. Some of these consultants believe that the older adult will demand more from his or her financial institution in the form of additional or special services. Other consultants are not sure what, if any, demands will be made from this aged market.

The purpose of the present study is to investigate if, in fact, special services and products would keep present consumers loyal and attract new ones. More specifically, it is hypothesized that there is a positive relationship between existing depositors and potential depositors who are fifty-five years of age or older, and the "special services" that are offered to them by their banks.

The results were beyond expectations. The data collected in this exploratory survey indicated clearly that older adults do not bank at specific financial institutions because of special services.

Two major factors played key roles in the refutation of the hypothesis. First, the majority of respondents said they did not bank at particular institutions because of special services. Secondly, the majority of respondents said that special services were not as important as location, interest rates, and convenient hours. However, the majority of the

sample did indicate that while these special services may not play a key role in the selection of a financial institution, they did, in fact, use the special services provided to them.

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Only those who have undertaken such a project can even begin to feel the joy that goes with its completion, and only those who undertake such a project know they did not complete it alone. To my family, my very best friends, and my colleagues, my deepest, most sincere thanks. It is because of each of you that one more of my dreams has come true.

Dedication

This work is dedicated to my grandparents. They have all encouraged me to learn and be the best I can be.

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Chapter 1

INTRODUCTION

Older Adults

For years, the American public has become increasingly aware that its older population is aging at a very fast rate. Already twenty-eight million strong, the number of America's seniors is expected to reach fifty million by the year 2020 (Gibbs 66). Even with all the recent legislative changes and current media topics dealing with the issues of aging, Americans still find it difficult to think about old age. Most Americans do not think about growing older until they are propelled into the midst of their own aging or that of a relative or friend. In a society where one is encouraged to hide one's wrinkles and dye one's graying hair, it is no wonder that aging is often viewed as the stepchild of the human life cycle.

The graying of America has evolved in this country with consequences similar to the dropping of the atomic bomb on Hiroshima. It has given impetus to a great number of political, social, and economic changes. Many of these changes are affecting Americans of all ages. Younger Americans, who are concerned with taking care of their aging parents, must also, and at the same time, prepare for their own "golden years." Older Americans, on the other hand, worry about such issues as their health, safety, economics, and maintaining varying degrees of independence so as not to become burdens upon their adult children.

It should be mentioned that while there are many serious concerns about the graying of America, the overall situation is far from terminally pessimistic; for older Americans, life has not become a desperate game of survival. It may be that, with all the willfulness of youth, America is finding new ways to grow older. Far from fading away gracefully in gently creaking rocking chairs, many of today's elderly have become inspirations to their families, their work places, and the communities in which they live. It is a mistake to stereotype older Americans. They can truly be found almost everywhere within our society and participating in nearly every activity. Not only are they changing how they view themselves, but they are also changing how other segments of American society view older adults. With this shift of perspective comes responsibility and a certain power.

Politicians rush to count the gray vote. Corporations and charities are tapping a deeply skilled, reliable labor resource among the used-to-bes and not-yet-ready-to-be-retired. Madison Avenue is also preparing to tap this vast, long-ignored market. Where once the image of the elderly was frailty and poverty, it is now energetic and curious. Older adults have courses to take, organizations to join, diets to break, children to counsel, battles to fight, and whims to follow (Gibbs 67).

But with these come other, less cheerful, images of America's older adults. Among them is the presence of the elderly poor, most of them widows, many of them minorities, falling prey to a society that often is too busy to offer emotional, social, or financial support.

The well-being of American's senior citizens, though generally better off than they were twenty years ago, is by no means universal. As health care becomes prohibitively more and more expensive, many of America's elderly are sick and getting sicker. Every year, as the baby boomers age and the nation's center of gravity shifts upward, the allocation of resources becomes even more difficult and the potential for conflict between generations intensifies dramatically.

Budget conscious policy makers must already balance the competing claims of educators, child care workers, and welfare programs against Medicare, catastrophic health insurance, and numerous benefits for the elderly. With each advance in medical technology, doctors and ethicists wrestle over how long people should be artificially kept alive and how to ration health care between the young and the very old. Closer to home, many American families will feel tremendous, often times insurmountable, strains as they try to raise their children and sustain their parents on budgets which are already bursting at their seams. In many ways, America is not yet ready for the vast social change that was thrust upon it rather suddenly (Gibbs 67).

With this in mind, many of today's elderly are having to seek out alternatives to health care, insurance, housing, and income on their own. All things being equal, income and other economic considerations are some of the greatest challenges facing today's elderly, weighing heavily on both their hearts and their minds.

Aging and Economics

Older people are very concerned about their personal economic security. This was evident at the 1981 White House Conference on Aging, both from the recommendations developed in the committee on economic security and from the unusually high number of recommendations in other committees that also related to economic concerns. More than forty percent of the recommendations dealt with matters of personal economics. This concern is generated less by avarice than by the realization that most older people are independent and want to remain so. The heavy emphasis on independence is derived from ideological preferences deeply rooted in this generation of older people. Most older people object to accepting government aid, and many even dislike accepting their social security checks, although their right to these checks was established by their own contributions as workers. While older people desire strong ties with their children, they want their financial independence even more. And because their incomes are fixed, they are vulnerable to economic cycles. Even as children struggle for economic and personal freedom independent of the larger family, so too, older adults cherish the same sense of personal freedom that comes with financial security (Dobelstein & Johnson 11).

Unfortunately, older people as a group are not well off financially. In 1979, the mean family income from all sources, for all families, was $22,375 per year. In families headed by someone age sixty-five or older, the mean yearly income was $14,727. Today, however, the mean income of couples sixty-five and over is about $23,000, largely due to social security increases and pensions. Even granting the usual caveats--that older people have fewer fixed expenses, that their families are smaller, and that they have special tax advantages--the discrepancy of income remains a striking characteristic of older adulthood (United States Bureau of the Census 6-11).

Yet there is optimism among older people, even among those with the tightest incomes. Provided that those incomes can be maintained to meet a modest standard of living, older people are satisfied with their lives (United States Bureau of the Census 11) . Helping older people requires an understanding of the delicate relationship between personal economic security and personal independence. When income falls, older people quickly lose a sense of personal security. Thus, efforts to assist older people to maintain their financial stability are basic to all other efforts to assist them.

Aging and economic security represent a great American paradox. Successful aging should establish economic security, but this is not usually the case. While the Harris surveys show that older people are not primarily concerned about their incomes, older adults in higher income brackets find life more satisfying than elderly in lower income brackets. Moreover, statistics show that older people are more likely to be poor, and regardless of how older people view their life circumstances, objectively, being poor in American society is a serious disadvantage. The quality of life is directly related to the amount of income available to the older person. While the amount is important to economic security, the type of income, its source, and its reliability, as well as non-income-producing wealth, all contribute to economic security (Dobelstein & Johnson 43).

Economic disparities among older people are striking. Of the top wealth holders in America, twenty-eight percent are men over fifty and twenty-two percent are women over fifty. There are approximately 55,000 men and women who are worth more than one million dollars (Gibbs 69). Yet the most recent statistics indicate that slightly more than thirteen percent of all Americans over sixty-five years old are in poverty (United States Bureau of the Census 14). Considering that 11.6 percent of the entire population is below the poverty level and about seventeen percent of American children are in poverty, the amount of poverty among older adults compared to the number of very wealthy older adults or to the number of young people seems puzzling. In 1987 the official poverty level was $6865 per year for older adult couples, hardly a respectable income. But even more striking, the poverty level for an older individual was only $5477 (United States Bureau of the Census 14).

While there are serious economic inequities for all groups of people in America, these inequities are more pronounced for older adults. Of the total national assets, about one-third is in real estate; another third is in corporate stock; about twelve percent is in cash; the remainder is in other forms of assets. The assets of most older people are likely to be in real estate, but wealthy older adults are likely to have considerable holdings of corporate stock. While only ten percent of the real estate is controlled by the top .5 percent of the most wealthy, half the corporate stocks, half the bonds, and eighty percent of all trusts are controlled by this small group of people. Those older adults represented among this small group are very well off, but most older people must depend on cash or real estate as a source of wealth (Dobelstein & Johnson 44).

Banking and Older Adults

With real estate and cash being the major sources of wealth for the majority of older adults, many are turning to their local financial institutions for advice and service relating to personal money matters. What might be most amazing about this fact is that more and more commercial establishments offer some form of initial social and financial services as part of their overall service to older adults.

Banking institutions, in particular, realize that special circumstances are more and more likely to be encountered when serving older adults. Today's banks are beginning to prepare their managers to deal with personal crises, when necessary, in order to retain what has always been a good business, older clients. Locating the resources when they are needed becomes an important factor in providing special services to older adults. While most of the services available to older people come under the authority of the Social Security Act and the Older Americans Act, there are many other non-traditional services available from such places as one's local bank (Dobelstein & Johnson 137).

Statement of Purpose

It is a safe assumption that banks and other financial institutions, along with many other branches of corporate America, are discovering the older market. To help them tap into this growing market, banks, credit unions, and savings and loan institutions are going to have to put together a creative marketing plan that will keep pace with the already stiff competition. With older adults already on their financial guard, and now expecting special services from financial institutions, banks and the like may have a serious dilemma on their hands. In short, and in the broadest sense, the business problem is to determine the best ways for financial institutions to attract and keep depositors who are fifty-five years of age or older.

The amount of assets owned by American households generally increases with the age of the household head, although the amount of assets does decline somewhat for the oldest age group--seventy-five and older. Equity in a home is by far the most valuable asset for all but a small proportion of home-owning households. Within the older population, financial assets other than checking and savings accounts are not widely held (Fowles 32).

Where these people keep their checking and savings accounts and the services provided to them will be a major concern of American banks and other financial institutions which strive to attract and keep these depositors.

There is, then, a positive relationship between existing depositors and potential depositors who are fifty-five years of age or older and the "special services" that are offered to them by their banks. It is almost as if older adults view special services and benefits as entitlements.

More specifically, this study will examine the issues of building customer loyalty by the marketing of "Special Services." For example, does free checking with no minimum balance influence the older consumer to remain loyal to a particular bank, or is there a combination of services and products that this consumer looks for and expects?

Other areas of concern related to this study are the non-banking services offered to the older adult. For the purpose of this study, non-banking services will be defined as services provided by a financial institution that are not normally a banking function. Included in this group, for example, are social activities such as trips, dances, health-related information sessions, etc. Do older people take advantage of these kinds of services, and are these activities influential in attracting new customers as well as maintaining existing ones?

Chapter II

LITERATURE REVIEW

When the issue of banking is discussed, few people realized until quite recently that banks and other financial institutions target services toward specific consumers. Today's banks are not different than any other large or small company. In a deregulated environment, financial institutions are retailers, just like L.L. Bean with its shop-at-home catalogs or Jiffy Pop popcorn for the microwave. Both are marketed for their convenience. Like traditional retailers, financial institutions need to understand what makes their customers tick--in terms of both demographics and attitudes--in order to stay competitive and market new products and services. For example, the potential of Automatic Teller Machines (ATMs) remained unrealized until banks gave up the notion that proprietary systems would give them a competitive edge. What consumers wanted was universal access to their accounts; once banks created ATM sharing, usage skyrocketed (Furnash 6).

It is no secret that in the past banks have lost market share to "non-banks" such as savings and loans, credit unions, etc. because banks have not been responsive to consumer needs. Understanding consumer behavior means more than knowing the latest trendy marketing acronym; banks need to analyze shifts in demographics and attitudes and devise marketing strategies to respond to these changes in the coming decade (Furnash 6).

Edward E. Furnash, president of the Washington, D.C. based management consulting firm of Furnash & Company, states,

> The consumer of the 1990s will indeed be different from the consumer of the 1980s, and this dramatically different consumer will definitely affect the way banks design, package, market, and deliver their products. (6)

Furnash goes on to say that there is going to be a more distinct split in consumer market segments than there has been in the past. The prime cause of this split is the aging of the baby boomers. While the under thirty-five age group will decline, census data predict that by the year 2000, there will be 46.9 million households headed by people thirty-five to fifty-four years of age. This substantial mass market will unquestionably represent the dominant consumer segment in the 1990s. More specifically, the Depression generation is also aging. In the year 2000, there will be thirty-six million households headed by people age fifty-five and older. Furnash sees the movement of this group toward retirement creating a secondary, highly distinctive, market segment (6).

Furnash is not the only one who sees America's aging population as a gold mine. William Lasyer, a professor of business administration at Florida Atlantic University, warns businesses about overlooking a potentially explosive market:

> Too many businesses think the older market is a poor market, missing the opportunities to explore an almost untouched landscape of fifty-one million consumers, age fifty-five or older. It is too large and profitable a market to ignore. (Fowles 36)

Lasyer divides the older or "mature" population into four market segments: "older" (fifty-five to sixty-four), "elderly" (sixty-five to seventy-four), "aged" (seventy-five to eighty-four), and "very old" (over eighty-five years old). He points out that the two segments under seventy-five years of age are similar to younger age groups in past generations and that they represent markets for products and services related to personal appearance, lifestyle, and services. He defines personal appearance as diet, exercise, personal care, health, and clothing. Lifestyle has been defined as travel and leisure activities and services such as restaurants and home maintenance (Fowles 36).

Lasyer further notes that "more than one-third of all households with discretionary incomes are headed by mature consumers--those ages fifty-five and older" and that "spending power of the mature market may be one of the best-kept secrets left in the age of demographic scrutiny" (Fowles 36).

Mature married couples generally own their homes outright, are free of child-rearing responsibilities, and are willing to spend money on themselves. People in this age group who live alone, however, have lower incomes than married couples and are less willing to indulge themselves but are often willing to spend money on their children and grandchildren. Lasyer believes, "There is opportunity for marketers who can convince mature consumers that they can afford to spend money on themselves" (Fowles 36).

While Corporate America is trying to influence the older consumer to buy, banks and other financial institutions will be responding with an "invest/save" your money campaign. The tapping of this market, however, may be one of the toughest campaigns financial institutions have ever faced.

Each of Lasyer's segments--older, elderly, aged, and very old--have distinctly different financial needs and attitudes. They must, then, be served differently to give them high perceived value. The aging of the baby boomers means that this market segment will be moving into the beginnings of its heavy savings years. As a result, saving and investment products will become increasingly important; the dominant consumer segment in the 1990s will be liability generating rather than loan generating (Furnash 6).

These savers are not going to be quite as conservative and safety-minded as the savers of the past, however. Because they will have more of an investor psychology, banks are going to have to develop and sell a broader range of offerings--from traditional insured products all the way to a variety of non-insured products such as mutual funds, stocks, and annuities--in order to attract and retain the saver/investor market (Furnash 6).

The aging baby boomer will also have a much different attitude toward technology than the current saver generation. In their thirties and forties today, the baby boomers have been heavy ATM users and have not hesitated to purchase mutual funds by telephone. In ten years, this group will be much more ready to accept non-traditional marketing methods and non-branch delivery systems (Furnash 6).

Furnash believes that the attitudes of consumers toward personal economics and finance within the next decade will change. He says there is a definite shift in consumer attitudes toward their financial well-being underway that will accelerate in the 1990s. This decade will be an era of consumer discontent, of growing pessimism among consumers over their financial situations, present and future. Survey after survey shows that consumers are gloomy about their ability to maintain their current standard of living, about financial opportunities for future generations, and about their ability to overcome financial adversity. Consumers are disappointed in their net worth; they are worried that they will outlive their retirement dollars and feel that taxes are an unfair burden (Furnash 7).

With that in mind, these new consumers will be expecting more in the form of high yields on their deposits and more services such as investment counseling and free checking for seniors.

One way banks are determining whether they are promoting the products and services customers want is by reviewing their promotional strategies. For example, what today's consumers expect from their banks and what banks have traditionally offered to them in the past are two very different concepts. Years ago, marketing promotions in the financial services industry basically consisted of giving away toasters, clocks, or coffee makers. That strategy has changed dramatically with the onslaught of deregulation. In recent years, financial institutions have used consumer promotions more than ever before to attract customers to their branches. These promotions have been used to introduce new products and services and encourage customers to expand relationships with their banks (Greenbaum 73).

Today, the promotions used by financial institutions mirror those used by many of America's biggest corporations. It is not unusual to find bank marketers offering elaborate contests and sweepstakes, special-rate bonus offers, rebates, and coupons (Greenbaum 73).

While promotions have evolved to become an important part of the marketing mix for financial services companies, many, if not most, banks are not satisfied with the overall success of their promotional programs. In particular, management is complaining about the high cost of some promotions, their poor management and execution, the questionable impact they have on the business, and the effects they have on the organization's image (Greenbaum 73).

Thomas L. Greenbaum, Managing Director of the Connecticut Consulting Group in Wilton, Connecticut, points to an undisciplined style of marketing as the problem:

> Many of the problems that bank managers are experiencing with promotions can be corrected if disciplined promotion strategy planning and utilization are part of the overall promotion development process. Most financial institutions do not take the time to write detailed promotion strategies because they are forced into a reactive mode by market conditions and are pressured by management to move a promotion to the field quickly. (74)

Greenbaum adds that the results of these forces is often the implementation of promotions that are very elaborate, often expensive, and frequently inconsistent with the overall marketing objectives of the organization. He suggests that financial institutions design an effective promotion strategy which addresses such considerations as objectives, target audience, tactical options, budget, and execution guidelines (74).

To start the process, Greenbaum says the marketing department should briefly state the objectives of the promotion, defining them in a way that is quantitative and measurable at the end of the program. One example of a viable promotion objective is to increase the average number of Master Card transactions per active card holder from X to Y over the promotion period (74).

Once the promotion objectives have been set, Greenbaum says the second part of a good promotion strategy is a precise definition of the promotion's target audience. One example Greenbaum gives as a target audience is the financial decision makers, fifty-five years or older, who earn in excess of X dollars per year (74).

Establishing tactical strategies is the third part of the strategic planning process. Tactical strategies are the methods by which the promotion program will achieve the established objective. Greenbaum says that at this point in the process, the marketing department should identify the broad guidelines that will be put into place during the implementation phase (75).

Planning a budget strategy is often difficult, says Greenbaum. Time of year and branch materials are just two promotion expenditures that may vary from one bank location to another, thus effecting the cost of the promotion. The promotion strategy should contain some parameters regarding the budget that will be allocated to the program (75).

The fifth and final part of the promotion strategy plan should consist of a brief section that outlines the most important guidelines for execution. Examples of the execution statements that would be appropriate in a promotion strategy plan are making sure the theme of the promotion program is consistent with the current advertising for product X or that the theme of the promotion is consistent with the image of the bank (75).

The reviewing of promotional strategies, determining the market mix, and spending a great deal of money by what used to be a conservative industry could only mean one thing: the course of retail banking is changing at an astonishing pace.

Retail bank is, in fact, undergoing a transformation. Once considered primarily a source of low cost, stable funds to fuel commercial loan growth, the retail side of the banks in the 1980s became the gravy train of profit initiatives for many banks. That train is now changing course, however, at a pace that threatens those financial institutions which are unaware of a new market or unwilling to meet it. Analysis of these changes signals a need for more focused strategies, organizations, and merchandising programs to keep banks, savings and loans, and others on track (Johannsen 12).

As noted, retail banking profits have for years been dominated by a large segment of conservative seniors willing to place their life savings into low yield, low cost saving vehicles, and the baby boom generation seems to have an inexhaustible demand for high yield consumer credit. The baby boomers are moving rapidly, however, into their golden years with a whole new set of attitudes and needs. This population prefers to invest to build wealth rather than save to protect it. They demand exceptionally high levels of convenience, readily accept new technology, and require information and expert advice. As a group, they are highly individualistic and require individualized solutions to what they perceive to be individual needs (Johannsen 12).

The baby boom generation will be moving away from its borrowing years and into its savings years. As this happens, the expanding array of new competitors will fight for their hearts, minds, and pocketbooks. The different mind set of the baby boom generation has changed retail banking forever (Johannsen 13).

Roland D. Johannsen, a partner of Furnash & Company, the consulting firm which specializes in the financial services industry, says, "Banks and other financial institutions are needing to change their perspective and strategy in order to compete with their competitors." Like Greenbaum, Johannsen says, "The key to success in banking for the 1990s is to develop a strategic objective, target desired markets, and specify financial expectations" (14).

He goes on to say that "these elements, properly constructed and communicated, will create a focused strategic perspective that will allow managers to allocate their time productively and minimize both employee and customer confusion." In short, Johannsen says the way to win in the retail banking market of the 1990s is to create, nurture, and aggressively pursue a highly focused strategic plan (14).

While banks and other financial institutions redesign their promotional strategies to attract all types of customers--young, middle aged, old, single, married, larger depositors and small--the middle aged and older customers may be the wave of the future when it comes to developing and keeping new customers. It will take more than just new promotional strategies, however, to attract this mature consumer. Banks and other companies wanting to tap this older market and the financial opportunities that go with it will have to put aside the critical misconceptions that are often associated with old age and marketing.

Jeff Ostroff, author of *Successful Marketing to the 50 Plus Consumer*, says that successful companies are those which understand their customers, and while that may be only logical, too many companies do not understand their customers. In fact, companies and individuals often form misconceptions about different market groups. When dealing with the older, mature market group, Ostroff cites eight deadly misconceptions that companies must avoid:

1. Mature adults are all the same.
2. Mature adults think of themselves as being "old."
3. Older adults aren't an important consumer segment.
4. Mature adults won't try something new.
5. Older persons have impaired mental faculties.
6. Most older persons suffer from bad health.

7. Older adults keep to themselves.
8. Mature adults aren't physically active. (18)

Ostroff adds that two key factors are responsible for these eight misconceptions: mass communications and limited personal exposure to older adults. Not until recently has the media begun to portray a more realistic, balanced picture of older Americans. Ostroff says that, unfortunately, the distortions presented over the years have been imprinted in the minds of many, particularly those most influenced by television such as the baby boom generation. In addition, the baby boomers are the ones most likely to form impressions based upon limited contact with the older population. Advertising agency executives deal most often with clients whose staff members are in their twenties and thirties. Most of these people do not feel comfortable in developing marketing strategies for a customer from another generation with whom they have little day to day contact. Frequently, advertising agency account executives and creative personnel experience similar levels of discomfort and unfamiliarity (3).

While Ostroff sees eight misconceptions when marketing to the mature adult, he also sees ten needs and concerns of the mature market and ways they can be filled by the right entrepreneur. He lists the following as needs of a mature market: first, adjustment to life in the later years. Ostroff describes these adjustments as personal. Examples include unsettling periods during the early stages of retirement, or of being newly widowed. Ostroff says that developing workshops and training manuals that would show ways to maintain a high level of mental vitality and cope with life changes and the loss of loves ones would fill these needs in this segment of the market (73).

Money management and financial security is second on Ostroff's list of needs and concerns. He says most members of the mature market will begin to experience a decline in median income after the peak earning years of forty-five to fifty-four. This drop in income is either generated or furthered by retirement from the work force. With the reduction in income, money management and financial security become major concerns for many mature adults. Inflation, declining health, loss of a spouse, and changes in Social Security, Medicare, or pension benefits are also potential events that can seriously jeopardize security and independence in later years. Ostroff illustrates how one savings and loan provided workshops to middle aged women on financial management. The workshops dealt with such topics as IRAs, pensions, savings and small investments, budgeting, and the financial aspects of divorce, widowhood, and retirement. He says that workshops such as these make good sense for several reasons: older women tend to worry more about their finances than older men; older women are usually less familiar with money management because that task has typically been delegated to the adult males; older women stand a much greater chance of having to manage money in the later years of life because of their longer life expectancy; and last, it just makes good business sense (74).

Need number three is home maintenance services. Ostroff believes that the majority of older adults prefer to remain in their own homes throughout retirement. For many of these people, however, keeping up a home can be a major task. In addition, older adults tend to live in older homes which usually require more upkeep and repairs. The physical demands of home maintenance can become extremely difficult, particularly for the older female homeowner who lives alone. He cites yet another example of a private based Brooklyn, New York, agency that assists older people in need of minor home repairs and modifications. The company uses retirees to perform a variety of tasks including replacing door locks, installing grab bars, fixing minor plumbing leaks, and lowering light switches, to name a few (74). Many benefits result in such an operation. Older adults are with other older adults whom they may know or trust in or near their homes. Older semi-retired people still have an opportunity to work and supplement their incomes. And because the worker is usually retired and working part time, the agency saves money on full time salaries and benefits.

Ostroff lists transportation services as the fourth need. As older adults age, many find their transportation needs increasing significantly. For some, declining health means they can no longer drive, or that they must limit their driving to daylight hours only.

Alternative forms of transportation such as buses, cabs, and subways may be too costly, infrequent, or unavailable. Regardless of the reason, transportation problems make it difficult for older people to get around and maintain their independence. Ostroff cites a privately held Iowa-based company that seeks to solve the transportation needs of the older population. Customers pay a fixed annual fee, which entitles them to twenty-four hour service three times a week. Chauffeurs not only drive the older adults around, but they also perform small chores such as carrying in the groceries or taking out the trash (75).

Other needs and concerns Ostroff lists include legal assistance, companionship, health care services and programs, adaptive products, medical insurance and medical information, and special diets (78). While not all of these needs and concerns are cited with lengthy definitions or examples, Ostroff's point is well noted: real marketing opportunities do exist when dealing with the older market. Additionally, businesses can and are taking advantage of these opportunities, including the financial services industry.

Closer to home, evidence that banks are jumping on the marketing bandwagon to attract the mature customer can be found at almost all financial institutions, many of whom consider themselves pioneers of unique and distinctive product lines and services.

With catchy names such as President's Club, Classic Plus, 55 Plus, Senior Partners, and Centennial Club, banks are catering to the older adult in exchange for their patronage. A recent article in the *St. Louis Business Journal* stated that programs designed for older adults have become mandatory. Bankers are even choosing their words cautiously, referring to their carefully cultivated older clients as "55 Plus," because they realize that words such as senior citizen or elderly can be perceived as patronizing or insulting (Winkelmann 50).

Jefferson Bank and Trust of St. Louis is one of the last banks in the area to cross over into this "new market." They did so as a defensive move against their competition. Jefferson Bank and Trust offers free checking, notary services, discounted safe deposit boxes, and almost all the other services that competing institutions offer to their older clients (Winkelmann 50).

Centennial Bank of St. Ann, Missouri, offers many of the same programs as Jefferson Bank and Trust, but Centennial also offers short trips at discounted rates to their older clients, something that Jefferson Bank and Trust has yet to offer. According to Centennial Bank president Jerry Byrd, his older customers prefer short trips to places such as Branson, Missouri, or Ste. Genevieve, Missouri, and they also enjoy other forms of entertainment such as the theater and the race tracks (Winkelmann 50).

On the other hand, Mercantile Bank of St. Louis offers its mature customers travel opportunities to more exotic places such as

China, Australia, and Alaska. In addition, Mercantile put together its own coupon book for buy-one-get-one-free dinners at popular restaurants. And like many other banks, Mercantile holds social gatherings as well as seminars on trusts and other financial matters (Winkelmann 52).

Earlier it was noted that Jeff Ostroff, author of *Successful Marketing to the 50 Plus Consumer* sees ten needs and concerns of the mature markets. Many of those--money management, legal assistance, medical information, and companionship, to name but a few--are not unrealized by the financial service industry. And while banks may be offering their older clients such perks as coupons, trips, and movie tickets, they are also meeting the needs and concerns which Ostroff mentions.

In the January 1990 issue of the St. Johns Bank and Trust Company Newsletter, customers were informed about meetings and workshops dealing with such legal issues as wills, trusts, and estate planning. They were also informed about health services and information for free eye screening hosted by the bank but sponsored by two very well known opthamologists. St. Johns has even gone as far as helping older clients take off weight. In the same January issue, customers were told about a ten week diet program co-sponsored by Weight Watchers of Greater Missouri and St. Johns Bank (St. Johns Bank and Trust 2).

St. Johns Bank and Trust is not the only bank meeting Ostroff's needs and concerns. American Bank of St. Louis offers members of its Classic Plus program discounted pharmacy services. Their program applies to prescription drugs and over-the-counter drugs and vitamins, all without their members having to leave their homes. American Bank makes arrangements for delivery, also (American Bank 1).

The Bank of South County and Mega Banks of St. Louis offer their members direct deposit and bank by mail services, thus meeting Ostroff's need for transportation services (Bank of South County 1).

Commerce Bank of St. Louis has even gone so far as to team up with the Older Adult Service and Information System (OASIS). Commerce has designed special services specifically for OASIS members, though many of Commerce Bank's special services and program are similar to those offered by other banks (Commerce Bank 1).

Banks and other financial institutions do, however, find it difficult at times to get the word out about their new services and products. And with customer usage of ATMs on the increase and inside bank visits on the decline, many banks are publishing their own newspapers or newsletters. This tends to be cost effective marketing which has exhibited good results ("New Ways to Get Out the News" 22).

The fact that most banks, large and small, offer special services and programs to older customers could only mean one thing: The older market is big business. Citizen's National Bank reported in July 1992 that it had 1200 older adults as members of its Seniority Club. St. Johns Bank and Trust says its President Club was growing by twenty to thirty members each month. And Jefferson Bank reports that it doubled the number of its older adult depositors after the debut of their VIP Account Program (Winkelmann 52).

Many of the "free" offerings--free travelers checks, free money orders, free notary services, free photocopies, and even free personalized checks--come with a price tag. Where one banks determines the cost of these services. Jefferson Bank and Trust, for example, has no minimum balance for its older customers. Mercantile Bank, however, has a minimum balance of $5000 on its "free" checking accounts (Winkelmann 50). Mega Bank requires only a $100 minimum balance (Mega Banks 1).

Centennial Bank, on the other hand, offers different levels of services, depending on the minimum balance. Ronald Sherrill, vice-president of Centennial Bank, said, "Offering different levels of service allows us to cater to more than just one segment of the market." He adds that not everyone can afford to tie up $5000 as a minimum balance in their checking accounts. He believes that most older customers expect free services whether they have large or small deposits in the bank and that Centennial's goal is to provide the best service and products possible while meeting the personal and social needs of its customers (Sherrill, personal interview).

Many of today's banks and savings and loans have voluntarily provided low cost or free services such as check cashing to their customers. The government has, however, stepped into the picture to ensure that lower income and older consumers get the basic banking and government check cashing they need. In 1989, congress introduced proposals that were aimed at ensuring consumers proper access to affordable, essential banking services as well as safe places to cash their Social Security and other government checks without unnecessary delays. The reason given for government intervention comes from the fact that many financial institutions now charge for services they once provided freely.

Additionally, they have increased fees on other services, in many cases forcing low income and older consumers to relinquish their bank accounts and making simple tasks such as paying bills difficult ("Congress Moves to Ensure Affordable Banking" 9).

Senate Bill S907 would require depository institutions to offer checking accounts to people who have no more than $1000 on deposit. Fees and service charges for routine transactions could not exceed an amount to be determined by the Federal Reserve Board. Minimum or opening balance requirements would be limited to $25.00 or less, with ten withdrawals allowed per month. The financial institution would have to provide a monthly statement or passbook detailing account activity ("Congress Moves to Ensure Affordable Banking" 9).

Another Senate Bill, S906, would require financial institutions to cash Federal, State, and local government checks in amounts of $1500 or less. The Federal Reserve Board would determine the fee for the service based upon cost studies, and consumers would have to register for check cashing privileges at specific institutions ("Congress Moves to Ensure Affordable Banking" 9).

Ronald Sherrill, from Centennial Bank, voices concerns about the Senate Bills:

> I am unaware whether any of those recent congressional motions have passed. . . .It may be a good move to protect some of our consumers, but it would add additional cost to the overall banking process. (Personal Interview)

Summary and Statement of Hypothesis

While congressmen and congresswomen court the gray vote by doing what they think older voters want, banks will continue to develop special services and programs in hopes they, too, are attracting and retaining older clients. Banks which fail to create programs for older clients will feel the effect through the loss of customers. In contrast, those institutions who continue to cater to this mature market will see their customer base grow and surely realize profits from their efforts. In short, the winners of this new niche in the market place will be both the financial institutions and the older customers who take advantage of all that is offered to them.

It is hypothesized that there is a positive relationship between existing depositors and potential depositors who are fifty-five years of age or older, and the "special services" that are offered to them by their banks. The data will show that older adults do maintain checking and savings accounts at financial institutions because of the special services and products offered specifically to them.

Chapter III

RESEARCH AND METHODOLOGY

In order to clarify and quantify the issues and variables presented earlier, a questionnaire/survey was self-developed, using both open-ended response questions and fixed-alternative questions. The questionnaire/survey was developed with the intent of using a non-probability sampling pool to answer descriptive questions which best describe how the sample pool of subjects feel about particular topics related to their personal banking habits and that best describe facts about their personal lives.

Subjects

Surveys were both mailed to respondents and self-administered. Twenty-five surveys were mailed and seventy-five surveys were self-administered. A total of one hundred questionnaires were purposively distributed.

The subjects were volunteer men an women who were randomly solicited from the St. Louis metropolitan area. The subjects ranged in age from fifty-five years old and older.

Forty-six males [46%] and fifty-four females [54%] participated in this survey.

A total of sixteen surveys [16%] were negated due to insufficient data reported. Eleven [11%] of those negated were male respondents and five surveys [5%] were female respondents. Additionally, a total of ten surveys [10%] were not returned. Seven [7%] of surveys not returned were male respondents and three [3%] surveys were female respondents.

A total of seventy-four surveys [74%] of the total one hundred surveys [100%] were used in this study. Six males [6%] and nine females [9%] returned surveys by mail. Twenty-two males [22%] and thirty-seven females [37%] returned surveys that were self-administered.

For the purpose of this study, "older adults, older people, and mature adults" have been operationally defined as people who are fifty-five years of age or older.

Instrument

The instrument used in this study (Appendix A) was a self-developed questionnaire. This instrument provided demographic and general information about the subject pool, including personal preference desired (as services offered) from local financial institutions.

For the purpose of this study financial institutions has been defined as any bank, savings and loan, credit union, or the like. Additionally, special services has been defined as any service that a financial institution may perform that is not usually a banking function. For example, health related, travel, and entertainment services are included.

Participants were asked to complete each statement in the instrument by circling the letter next to the phrase that best describes how they feel about a given situation or that best describes personal characteristics. In addition, participants were asked to complete open-ended response questions by checking the answer that best describes their feelings or actions, or by writing a brief statement that, again, would describe their feelings or actions. The instrument was made up of twenty-four questions.

Procedure

Twenty-five surveys were mailed to men and women in the St. Louis area. Participants were called by phone in advance to ensure their confidentiality and response. A letter of explanation accompanied the instrument (See Appendix B). Because both personal interviews and mailed surveys were used, an "M" was placed in the upper right hand corner of page 1 of the mailed surveys. A brief explanation was given over the phone before the surveys were mailed. The letter which accompanied the survey told the subjects the purpose of the study.

The remaining seventy-five surveys were self-administered. The surveys on two separate occasions were administered at the St. Louis Senior Center. The first session took place on November 19, 1992. Subjects were asked to complete a survey dealing with their personal banking habits. At that time, a brief explanation was given for the purpose of the survey. A total of thirty-seven surveys were collected on the first visit. The second session took place on December 1, 1992. Again, a brief explanation was given. A total of twenty-nine respondents participated in the study.

The remaining nine surveys were given in individuals' homes on a one-to-one basis.

In all cases, a brief explanation of the test was given, and the purpose of the study was revealed at the time the survey was administered. Participants were told not to put their names on any section of the survey. They were also asked not to list the names or account numbers of their financial institutions.

Data Analysis

This was an exploratory survey with the subjects being purposively selected and the age of the consumer being the independent variable, with the importance of special services as the dependent variables. Because this was an exploratory survey and the sample pool was not randomly selected, the data collected cannot be generalized beyond the sample. All of the questionnaires were hand scored. The results of this survey were analyzed by comparing the various data derived from the demographics which were described earlier.

Chapter IV

RESULTS

Seventy-four percent of the questionnaires were returned and completed. Of the one hundred questionnaires which were distributed, sixteen surveys [16%] were returned incomplete and were negated; Ten surveys [10%] were not returned. The total number of questionnaires used in this study was seventy-four.

For the purpose of this study, all questionnaires returned were used in this study, with the exception of those respondents that did not meet the age requirement. The minimum age of the respondents to participate in this study is fifty-five years old or older. Since most financial institutions do not begin special services or programs for older or mature adults until they reach the age of fifty-five plus, older or mature adults was defined as fifty-five years old or older. However, eight surveys [8%] returned did not meet the minimum age requirement and, therefore, were not used.

Additionally, the total number of valid responses returned may not always match the total number of valid questions. Instead of negating the entire questionnaire, only the questions which were not answered or improperly answered were nullified. Therefore, the total number of participants for each question will not always be seventy-four.

One hundred questionnaires were distributed. Table 1 describes the response breakdown.

Table 1
Responses
(Frequency Responses)

1.	Mailed	Responses
	Men/Women	15
	Not Returned	10
2.	Self-Administered	Responses
	Men/Women	59
	Negated	16
	Total Responses	100

Forty-six males and fifty-four females participated in this survey. Table 2 describes the responses breakdown by gender.

Table 2
Responses
(Frequency Responses by Gender)

1.	Males	6 returned
		7 not returned
		22 self-administered
		11 negated
		46
2.	Females	9 returned
		3 not returned
		37 self-administered
		5 negated
		54

Total males and females: 100

Table 3 describes the response breakdown age and gender.

Table 3
Responses
(Frequency by gender and age)

	Age Range	Responses
Males		
	Age Range	Responses
	55-59	7
	60-64	5
	65-69	8
	70-74	8
	75-79	0
	80-84	0
	85 and older	0
	Not Returned	7
	Negated	11
	Total	46
Females		
	Age Range	Responses
	55-59	8
	60-64	7
	65-69	8
	70-74	7
	75-79	5
	80-84	7
	85 and older	4
	Not Returned	3
	Negated	5
	Total	54
Males and Females		
	Age Range	Responses
	55-59	15
	60-64	12
	65-69	16
	70-74	15
	75-79	5
	80-84	7
	85 and older	4
	Not Returned	10
	Negated	16
	Total	100

Table 4 describes the education level of the subjects.

Table 4
Responses
(Frequency Responses by gender and education level)

Males		Responses
Grades		
	1-11	0
	12	14
College		
	Freshmen	1
	Sophomore	3
	Junior	0
	Senior	1
	Graduated	9
	Negated/Not Returned	18
	Total	46

Females		Responses
	1-7	0
	8	2
	9	1
	10	2
	11	0
	12	31
College		
	Freshmen	0
	Sophomore	4
	Junior/Senior	0
	Graduated	6
	Negated/Not Returned	8
	Total	54

(Table 4 Continued)
Responses
(Frequency Responses by gender and education level)

Males and Females	Responses
Grades	
1-7	0
8	2
9	1
10	2
11	0
12	45
College	
Freshmen	1
Sophomore	7
Junior	0
Senior	1
Graduated	15
Negated/Not Returned	26
Total	100

Table 5 illustrates marital status of the subjects.

Table 5
Responses
(Frequency by gender and marital status)

			Responses
Males			
	Married		17
	Single		4
	Widowed		5
	Divorced		2
	Negated/Not Returned		18
		Total	46
Females			
	Married		8
	Single		5
	Widowed		19
	Divorced		14
	Negated/Not Returned		8
		Total	54
Males and Females			
	Married		25
	Single		9
	Widowed		24
	Divorced		16
	Negated/Not Returned		26
		Total	100

Table 6 describes the income ranges of the subjects.

Table 6
Responses
(Frequency responses by gender and income)

Males		
	Incomes	Responses
	$0-$10,000	0
	$10,001-$20,000	1
	$20,001-$30,000	11
	$30,001-$40,000	5
	$40,001-$50,000	4
	$50,001-$60,000	2
	$60,001-$70,000	1
	$70,001-$80,000	0
	$80,000 and above	4
	Negated/Not Returned	18
	Total	46
Females		
	Incomes	
	$0-$10,000	3
	$10,001-$20,000	15
	$20,001-$30,000	13
	$30,001-$40,000	4
	$40,001-$50,000	7
	$50,001-$60,000	0
	$60,001-$70,000	0
	$70,001-$80,000	1
	$80,000 and above	0
	Negated/Not Returned	8
	Total	54
Males and Females		
	Incomes	
	$0-$10,000	3
	$10,001-$20,000	16
	$20,001-$30,000	24
	$30,001-$40,000	9
	$40,001-$50,000	11
	$50,001-$60,000	2
	$60,001-$70,000	1
	$70,001-$80,000	1
	$80,000 and above	4
	Negated/Not Returned	26
	Total	100

Table 7 describes the subjects' employment status.

Table 7
Responses
(Frequency Responses by gender and employment status)

		Responses
Males		
Retired		15
Employed Full-Time		7
Employed Part-Time		6
Negated/Not Returned		18
	Total	46
Females		
Retired		22
Employed Full-Time		19
Employed Part-Time		5
Negated/Not Returned		8
	Total	54
Males and Females		
Retired		37
Employed Full-Time		26
Employed Part-Time		11
Negated/Not Returned		26
	Total	100

The subjects were asked to describe where they kept their checking accounts by circling the answers that apply. Table 8 describes the subjects' responses. The intent of the question is to see where the subjects keep their checking accounts.

Table 8
Location of Checking Accounts
(Frequency responses by gender)

Location of Checking Accounts	Men	Women	Men and Women
Bank	18	21	39
Savings and Loan	3	6	9
Credit Union	1	7	8
Other	0	0	0
I do not have a checking account	0	0	0
Bank/Savings & Loan/Credit Union	2	1	3
Bank/Credit Union	1	0	1
Bank/Credit Union/Other	0	2	2
Savings and Loan/Credit Union	0	3	3
Bank/Savings & Loan	2	6	8
Total	27	46	73

Subjects were asked to describe where they keep their savings accounts by circling the answers that apply. Table 9 describes the subjects' responses. The intent of the question is to see where the subjects keep their savings accounts.

Table 9
Location of Savings Accounts
(Frequency response by gender)

Location of Savings Accounts	Men	Women	Men and Women
Bank	13	16	29
Savings & Loan	4	4	8
Credit Union	0	7	7
Other	0	0	0
I do not have a savings account	1	4	5
Bank/Savings & Loan/Credit Union	2	6	8
Bank/Credit Union	3	0	3
Bank/Other	2	1	3
Bank/Savings & Loan/Other	1	0	1
Bank/Savings & Loan	0	5	5
Savings & Loan/Credit Union	0	1	1
Bank/Credit Union/Other	0	2	2
Total	26	46	72

The subjects were asked to circle the total number of checking accounts they had. Table 10 describes the subjects' responses. The intent of the question is to see how many checking accounts older adults keep.

Table 10
Number of Checking Accounts
(Frequency responses by gender)

# of checking accounts	Males	Females	Male/Females
1	18	36	54
2	4	4	8
3	1	6	7
4 or more	3	0	3
Do not have checking account	0	0	0
Totals	26	46	72

The subjects were asked to circle the total number of savings accounts they had. Table 11 describes the subjects' responses. The intent of the question is to see how many savings accounts older adults keep.

Table 11
Number of Savings Accounts
(Frequency responses by gender)

# of savings accounts	Males	Females	Male/Females
1	14	22	36
2	7	13	20
3	1	2	3
4 or more	4	5	9
Do not have savings account	0	4	4
Totals	26	46	72

Subjects were asked to circle the answer which describes whether they currently drive a car. Table 12 describes whether the subjects' responses. The intent of the question is to identify respondents who rely on other forms of transportation.

Table 12
Number of Respondents who Drive a Car
(Frequency responses by gender)

Drivers	Males	Females	Males/Females
Yes	25	39	64
No	3	7	10
Totals	28	46	74

The subjects were asked to circle the response that best describes their awareness of whether their financial institution offers programs, clubs, activities, or services specifically for individuals fifty-five years of age or older. Table 13 describes the subjects' responses. The intent of the question is to verify whether older adults are aware that financial institutions offer programs, clubs, activities, etc. to individuals fifty-five years of age or older.

Table 13
Awareness of Programs, Clubs, Activities, or Services
(Frequency responses by gender)

Awareness	Males	Females	Male/Female
Yes	26	41	67
No	0	0	0
Do not know	2	5	7
Totals	28	46	74

Table 14
Awareness of Programs, Clubs, Activities, Services
(Frequency responses by age and gender)

Awareness/Age		Males	Females	Males/Females
Yes	55-59	5	5	10
	60-64	5	5	10
	65-69	8	8	16
	70-74	8	7	15
	75-79	0	5	5
	80-84	0	7	7
	85 and older	0	4	4
No	55-59	0	0	0
	60-64	0	0	0
	65-69	0	0	0
	70-74	0	0	0
	75-79	0	0	0
	80-84	0	0	0
	85 and older	0	0	0
Did not know	55-59	2	3	5
	60-64	0	2	2
	65-69	0	0	0
	70-74	0	0	0
	75-79	0	0	0
	80-84	0	0	0
	85 and older	0	0	0
Total	55-59	7	8	15
	60-64	5	7	12
	65-69	8	8	16
	70-74	8	7	15
	75-79	0	5	5
	80-84	0	7	7
	85 and older	0	4	4

Respondents were asked to place a check next to the programs, clubs, or services that they participated in or take advantage of. Table 15 describes the subjects' responses. The intent of the question is to see which of the special services and programs offered older adults use.

Table 15
Respondents Who Use Special Services
(Frequency responses by gender)

Activities	Males	Females	M-F
Financial Counseling	21	28	49
Total Free Checking	23	31	54
Free Checking with Minimum Balance	16	11	27
Free Checking with Limited # of Checks per Month	1	10	11
No Service Charge on Traveler's Checks	14	19	33
No Service Charge on Money Orders	14	38	52
No Service Charge for Cashiers Checks	17	36	53
No Charge for Notary Services	24	34	58
Free or Discounted Price for Safe Deposit Boxes	16	18	34
Free copies of Important Documents	10	20	30
Free or Reduced Rates on Entertainment	22	23	45
Free Newsletters or Publications	21	17	38
Insurance of any Type	6	6	12
Estate Planning	8	14	22
Credit Card Protection Plan	3	10	13
Discount on Over-The-Counter Medications	3	10	13
Free/Low Cost Health Screening: eye or blood pressure	8	8	16
Transportation To and From Bank	0	0	0
Discount Brokerage Services	5	2	7
Free or Low Cost Tax Preparations	3	13	16

Respondents were asked to circle a yes or no response to question 11. Question 11 asked the subjects if they banked at a particular institution because it offers special services such as the ones listed in Table 15. Table 16 describes the subjects' responses.

Table 16
Respondents Banking at Financial Institutions Because of Special Services
(Frequency responses by gender)

Responses	Male	Female	Combined
Yes	6	19	25
No	22	25	47
Totals	28	44	72

Table 17
Respondents Banking at Financial Institutions Because of Special Services
(Frequency responses by gender and age)

Responses/Age		Male	Female	Male/Female
Yes	55-59	1	0	1
	60-64	1	2	3
	65-69	3	6	9
	70-74	1	7	8
	75-79	0	2	2
	80-84	0	1	1
	85 and older	0	1	1
No	55-59	6	7	13
	60-64	4	5	9
	65-69	5	2	7
	70-74	7	0	7
	75-79	0	3	3
	80-84	0	5	6
	85 and older	0	3	3
Totals		28	45	73

Subjects were asked to circle the response that best describes who goes to the bank to take care of banking matters. Table 18 describes the response break down. The intent of the question is to identify those individuals that visit the bank.

Table 18
Who Goes to the Bank
(Frequency responses by gender)

Responses	Male	Female	Combined
Yourself	19	34	53
A Family Member	5	9	14
Friend	1	2	3
Other	3	1	4
Totals	28	46	74

Subjects were asked to describe the importance of special services, location, interest rates, and convenient hours by circling the response most important to them. Table 19 describes the subjects' responses. The subjects were allowed to circle more than one response. The intent of the question is to see if special services play a high or low level or importance.

Table 19
Respondents Level of Importance
(Frequency responses by gender)

Responses	Males	Females	Combined
Special Services Offered	2	0	2
Location	12	17	29
Interest Rates	4	11	15
Convenient Hours	0	4	4
Special Services/Location/Interest Rates	0	5	5
Special Services/Interest Rates	1	2	3
Special Services/Location	0	1	1
Location/Interest Rates/Hours	2	3	5
Location/Interest Rates	2	2	4
Location/Hours	1	0	1
Special Services/Location/Interest Rates/Hours	2	0	2
Totals	26	45	71

Subjects were asked to circle the response that best describes their knowledge of whether or not their financial institutions offer transportation to their customers. Table 20 describes the subjects' responses.

Table 20
Financial Institutions Offering Transportation
(Frequency responses by gender)

Responses	Male	Female	Combined
Yes	0	0	0
No	11	22	33
Do not know	17	23	40
Totals	28	45	73

Subjects were asked to circle the responses that best describe their feelings about difficulties getting to and from the bank. Table 21 describes their responses.

Table 21
Difficulty Getting To and From the Bank
(Frequency responses by gender)

Responses	Male	Female	Combined
Yes	5	4	9
No	21	37	58
Sometimes	2	5	7
Totals	28	46	74

Subjects were asked to circle the responses that best describe their sources of income. Table 22 describes their responses. Subjects were allowed to circle more than one response.

Table 22
Sources of Income
(Frequency responses by gender)

Responses	Males	Females	Combined
Paycheck	9	17	16
Social Security	1	1	2
Pension	0	1	1
IRAs	0	1	1
Interest/Dividends	1	0	1
Paycheck/Social Security	3	3	6
Paycheck/Interest Dividends	1	2	3
Social Security/Pensions	7	8	15
Social Security/Pension/IRAs/Interest	2	0	2
Social Security/Pension/Interest	1	4	5
Paycheck/Social Security/Pension	0	3	3
Paycheck/Pension/IRAs/Interest	0	1	1
Paycheck/Other	0	2	2
Paycheck/Pension	0	1	1
Social Security/Interest	0	3	3
Pension/Interest	0	4	4
Totals	25	41	66

Subjects were asked to circle the response that describes whether or not they have transferred any savings and loan accounts to banks or credit unions within the last year. Table 23 describes the subjects' responses. The intent of the question is to see if the recent savings and loan scandal has altered the banking habits of older adults.

Table 23
Changed from Savings & Loan to Bank or Credit Union
(Frequency responses by gender)

Responses	Male	Female	Combined
Yes	7	6	13
No	21	39	60
Totals	28	45	73

Subjects were asked to circle the response that describes if their financial institution has a monthly or yearly fee for Special Services offered to older adults. Table 24 describes their responses.

Table 24
Fee for Special Services for Older Adults
(Frequency responses by gender)

Responses	Males	Females	Combined
Yes	0	2	2
No	28	42	70
I do not know	0	2	2
Totals	28	46	74

Chapter V

DISCUSSION

Chapter IV demonstrates some surprising data. As will be seen, the hypothesis that there is a positive relationship between existing depositors and potential depositors who are fifty-five years of age or older, and the "Special Services" that are offered to them by their banks was refuted. A careful review of the data will illustrate the reason for refutation. It should be noted early in this discussion, however, that while the hypothesis was refuted, older adults do take advantage of the special services offered by financial institutions.

It was stated earlier in Chapter II that the data would show that older adults do maintain checking and savings accounts at financial institutions because of the "Special Services" and products offered specifically to them. Again, data in Chapter IV refutes this claim. However, once again, it should be noted that while older adults do not maintain their checking and savings accounts because of the offering of special services, they do take advantage of them.

As the demographics presented in Table 8 and Table 9 show, the majority--seventy-three respondents [99%]--did keep checking accounts and the majority--seventy-two respondents [97%]--did keep savings accounts.

The question regarding how many checking and savings accounts the respondents had, as shown in Table 10 and Table 11, shows that the majority--fifty-four respondents [73%]--had only one checking account and thirty-six respondents [49%] one savings account. It was thought that the majority of respondents would have more than one savings and/or checking accounts. Thus, making the assumption that they do so to take advantage of the "Special Services" offered to them by more than one bank.

The question regarding the respondents' awareness of "Special Services" offered to them as shown in Table 13 illustrates that the majority--sixty-seven respondents [91%]--were aware that their financial institution does offer "Special Services" to depositors fifty-five years of age or older.

Table 14, however, illustrates that while the majority of the respondents were aware of special services being offered, the younger respondents were less likely to be aware of these services. Of the seven respondents unaware if their financial institution offered special services to older customers, five respondents [7%] were in the 55-59 age range, and two respondents [3%] were in the second youngest category of 60-64 years of age.

Attitudes and opinions regarding the use of "Special Services" offered by financial institutions to their older depositors is illustrated in Table 15. Among male respondents, the three most popular special services that they took advantage of were No Charge for Notary Services--twenty-four respondents [32%], Total Free Checking--twenty-three respondents [31%], and Free or Reduced Rated for Entertainment--twenty-two respondents [30%].

Among female respondents, the three most popular "Special Services" were No Service Charge on Money Orders--thirty-eight respondents [51%], No Service Charge on Cashiers Checks--thirty-six respondents [49%], and No Charge for Notary Services--thirty-four respondents [46%].

Among the male and female combined, the three most popular services were No Charge for Notary Services--fifty-eight respondents [78%], Total Free Checking--fifty-four respondents [73%], and No Service Charge on Cashiers Checks--fifty-three respondents [72%].

To the question that inquired if the respondents banked at their particular institution because they offer special services such as the ones listed in Table 15, the majority--forty-seven respondents [64%]--said they did not bank at particular institutions because of "Special Services" such as those in Table 15 offered to them. This was the first of two major points that indicated that the earlier stated hypothesis was refuted.

Additionally, Table 17 illustrates the age breakdown of the respondents. There appears to be no trends regarding ages and if the respondents bank at a specific financial institution because of special services offered.

The question regarding if the respondents go to the bank themselves or if someone else goes for them, as shown in Table 18, illustrates that the majority--fifty-three respondents [72%]--usually goes to the bank themselves. This may also illustrate who takes advantage of the special services that their specific bank may offer them.

The second of two major points regarding the refuted hypothesis is the question regarding the importance of specific items. Table 19 illustrates that the majority of respondents do not feel that "Special Services" are most important when it comes to their banking needs. Attitudes and opinions as to what is most important is also illustrated in Table 19. The majority--twenty-nine respondents [39%]--stated that location was more important than "Special Services." In the second largest response--fifteen respondents [20%]-- the subjects stated that interest rates were most important to them. Only two respondents indicated that special services alone were most important to them. An additional eleven respondents [15%] said a combination of special services, location, interest rates, and hours were most important. The male respondents felt location was most important to them--twelve respondents [16%]. The female respondents also felt that location was most important to them--seventeen respondents [23%]. The second in importance to the male respondents were interest rates--four respondents[59%]. The female respondents also felt interest rates were the second in importance to them, with eleven respondents [15%] indicating so.

Summary

Based upon personal observation and a review of the literature, the generalization was offered that older adults, those individuals who are fifty-five years of age or older, maintain checking and savings accounts at financial institutions because of special services and products offered specifically to them. It was assumed that income, education, marital status, and gender would have no impact on the stated hypothesis. In order to confirm the generalization, subjects were surveyed as to their attitudes and opinions as well as their personal habits regarding their behavior. In addition, respondents were also asked to provide certain demographic information.

The results were far beyond expectations. The data provided clear indication that older adults do not bank at specific financial institutions because of special services that are offered specifically to them. The results were so clear in the population examined that no further statistical analysis of the data was needed.

Two major factors played key roles in the refutation of the hypothesis. First, clear evidence in the simplest terms shown in

Table 16 illustrated that the hypothesis was refuted. Second, clear evidence shown in Table 19 illustrate, again, that the hypothesis was refuted. Both tables specifically look at attitudes and opinions of the subjects as they relate to the hypothesis.

However, the use of special banking services by this sample indicates that while they may not consciously select a financial institution for these services, the provision of such services may have a subliminal marketing effect. The respondents state objectively that they have not selected a financial institution of the basis of its services. Yet, the survey results indicate they do take advantage of the services. In general, however, location seems to be a prime consideration in an older person's choice of financial institutions. This is consistent with the research indicating the importance of the proximity of services for older adults.

Limitations

The subjects were all residents of the St. Louis metropolitan area. In order to test the hypothesis more carefully, the research should have been conducted over a broader population. Adding to the bias is the fact that it is believed that most of the subjects were from south-southwest part of St. Louis, thus limiting the research further. But because no Zip Code or residential locator information was gathered, this point cannot be proven.

The questionnaire was also too long, and, therefore, scoring was difficult. The questionnaire asked for information which was not totally necessary to the research. However, as this was an exploratory survey, it was important to ask questions which might show the importance of other variables leading to alternate hypotheses.

In a few cases, the subjects either provided more than one response to a specific question or they did not respond at all. Although the impact was not significant, the lack of consistency added to the difficulty in presenting a clear analysis. This weakness in the instrument was not evident in the pretest results.

Although the questionnaire asked the subjects to provide some written/essay responses, too few chose to complete those specific questions. This, in addition to the few broad base responses received lacked validity. Thus, no conclusions could be drawn from that data.

In addition to flawed questions in the instrument and questions not answered by respondents, a number of surveys had to be negated because respondents did not meet the minimum age requirement. Question Number One (1) of the instrument listed age ranges from 50 to 54. The age range should have started with 55-59.

This design flaw negated a number of surveys, thus reducing the overall population surveyed.

Additional instrument problems and design flaws include question number sixteen (16), Table 19. The subjects were asked, "Which of the following is more important to you when it comes to banking matters?" The subjects were then asked to circle the response that best describes their feelings. No additional instructions were given and many of the subjects circled more than one response. Without ranking the order of importance a true illustration of which response represented their true feelings was lacking. The question should have read, "Please rank in order of importance to you the following. . . ."

Suggestions for Further Research

An exploratory survey is intended to be the basis for further directed research. It would be interesting to conduct the investigation among subjects who 1) bank at only one bank, savings and loan, or credit union; 2) make up a larger sample size (the rejection of the hypothesis may be suspect since the sample size is so small); and 3) are introduced to the questionnaire by a more explicitly worded cover letter and questionnaire. If another study should be undertaken, more care should be given in preparing the questionnaire so as to eliminate unnecessary questions and the potential for inconsistent data collection and tabulation.

If further research is to be conducted, it may be appropriate for the instrument not to indicate that the reason the subjects are being asked to participate is for an academic study. Lack of such information might provide a greater impetus for the subjects to respond more carefully.

Finally, the study indicates a use of special services by the targeted population. Their responses do not demonstrate a conscious choice of financial institutions based upon services offered. However, the object of marketing is to appeal to both conscious and subliminal rationales to create buying habits. Therefore, a subsequent study might be designed which examines the subliminal effect of various marketing programs on consumer choices among older people.

QUESTIONNAIRE

TO INSURE CONFIDENTIALITY, PLEASE DO NOT GIVE US YOUR NAME OR THE NAME OF YOUR BANK, SAVINGS AND LOAN, OR CREDIT UNION. THIS INFORMATION IS NOT IMPORTANT, ONLY YOUR ANSWERS ARE.

PLEASE CIRCLE THE ANSWER THAT DESCRIBES YOUR PERSONAL AND BANKING HABITS, CHARACTERISTICS, OR PREFERENCES.

1. Please circle your age range.

   A. 50-54 B. 55-59 C. 60-64 D. 65-69
   E. 70-74 F. 75-79 D. 80-84 E. 85, over

2. How would you classify yourself?

   A. Retired B. Employed Full Time C. Employed Part Time

3. Which of the following describes where you keep your **checking** accounts? (Circle all that apply)

   A. Bank B. Savings and Loan C. Credit Union D. Other
   E. I do not have a checking account

4. Which of the following describes where you keep your **savings** accounts? (Circle all that apply)

   A. Bank B. Savings and Loan C. Credit Union D. Other
   E. I do not have a checking account

5. Please tell us your sex.

   A. Male B. Female

6. How many checking accounts do you have?

   A. 1 B. 2 C. 3 D. 4 or more E. I do not have a checking account

7. How many savings accounts do you have?

   A. 1 B. 2 C. 3 D. 4 or more E. I do not have a savings account

8. Do you drive a car?

   A. Yes B. No

9. Does your current bank, credit union, or savings and loan institution offer programs, clubs, activities, or services specifically to individuals 55 years of age or older?

A. Yes B. No C. I do not know

10. Which of the following program, clubs, or services does you financial institution offer to individuals 55 years of age or older that you do or would participate in? (Please check all that apply)

_____ Financial Counseling
_____ Total Free Checking
_____ Free checking with minimum balance
_____ Free checking with limited number of checks per month
_____ No service charge on Travelers Checks
_____ No service charge on Money Orders
_____ No service charge on Cashiers Checks
_____ No service charge for Notary Service
_____ Free or discounted price for safe deposit boxes
_____ Free copies of important documents
_____ Free or reduced rates on entertainment
_____ Free newsletters or publications
_____ Insurance of any type
_____ Estate planning
_____ Credit card protection plan
_____ Discount of over-the-counter medications
_____ Free or low cost health services EX: Eye exam or blood pressure check
_____ Transportation (to and from bank)
_____ Discount brokerage services
_____ Free or low cost tax preparation

11. Do you bank at your financial institution because they offer special services such as the ones listed above?

A. Yes B. No

12. If you answered "NO" to Question 11, please tell us why you bank where you do. If you answered "YES" to Question 11, please go to Question 13.

____
____
____

13. Please tell us what services that you would like to see your financial institution offer to you.

____

____

14. Would you pay for the additional services listed above?

A. Yes B. No C. Undecided

15. Who usually goes to the bank?

A. Yourself B. Family Member C. Friend D. Other

16. Which of the following is more important to you when it comes to banking matters?

A. Special Services Offered to Seniors B. Location
C. Interest Rates D. Convenient Hours E. Other (Specify)____________

17. Does your current financial institution offer transportation to their customers?

A. Yes B. No C. Do not know

18. Is getting to and from the bank a problem for you?

A. Yes B. No C. Sometimes

19. Please tell us what your sources of income are:
(Circle only those which apply)

A. Paycheck B. Social Security C. Pension or Retirement Plan
D. Individual Retirement Account E. Interest/Dividends: CDs , stocks, bonds
F. Other (Specify)______________________________

20. What is the highest level of education completed?
A. Grades: 1 2 3 4 5 6 7 8 9 10 11 12
(Circle the grade completed)

B. Some College: Freshman Sophomore Junior Senior
(Circle the grade level completed)

C. Graduate from College

21. Please tell us your status?

A. Married B. Single C. Widowed D. Divorced

22. Please tell us your yearly household income.

A. $0-$10,000 B. $10,001-$20,000 C. $20,001-$30,000
D. $30,001-$40,000 E. $40.001-$50,000 F. $50,001-$60,000
G. $60,001-$70,000 H.. $70,001-$80,000 I. $80,001 and above

23. Have you transferred any savings and loan accounts to banks or credit unions within the last year?

A. Yes B. No

24. Does your financial institution have a monthly or yearly fee for services provided to you as a senior. (If yes, please tell us that fee.)

A. Yes $_____Mo/Yr B. No

(Appendix B)

October 1992

Dear Respondents:

Please allow me to introduce myself. My name is Jerry Bladdick. I am a graduate student attending Lindenwood College in St. Charles, Missouri. Currently, I am working toward a Masters Degree in Gerontology. However, I need your help. Please take a minute of your time and complete the **CONFIDENTIAL** questionnaire that is attached to this letter.

This questionnaire will help me, help you, and help others like you. As a future Gerontologist, I am concerned with your needs. To help make those needs understood, I will make the results of this survey available to anyone who shares my concerns. At the same time by answering this survey you will assist me in completing my thesis.

Please remember that this is a **CONFIDENTIAL** survey, and you, along with your answers, will remain anonymous. To ensure your **CONFIDENTIALITY,** please **DO NOT** give the following information: your name, name of your bank, or any account numbers. This information **is not** important to me, only your answers are. Remember, **DO NOT** give any of the above information.

Your time given is deeply appreciated. If I can be of any assistance to you or if you feel you would like to know the results of this survey, please feel free to call me at home (314) 647-3873 or write to me at:

3122 Park Hampton Court
St. Louis, Missouri 63139

I will be happy to mail you a copy of the results.

Please be sure to turn in your questionnaires after this meeting. Once again, I would like to thank you for your help and support.

Sincerely,

Jerry M. Bladdick

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