

A man with dark hair and a beard, wearing a blue button-down shirt, is smiling and talking on a mobile phone. He is sitting at a desk with a laptop in front of him. The background is a blurred office or home workspace with warm lighting.

Five things  
credit unions  
need to do to  
survive in 2022

**WIPFLI**

# Introduction

The pandemic.

Digital innovation.

The Great Resignation.

They've all accelerated industry changes and consumer behaviors, forcing credit unions to be nimble and flexible. And that roller coaster doesn't appear to be slowing down in 2022.

The fact that digital services have changed the way people do their banking is not a surprise. What is surprising is how the pandemic forced thousands of baby boomers to change their habits — and now they're not only comfortable with digital, they're demanding it.

Once you factor in that millennials and Gen Z, who have always preferred digital banking, now make up a larger portion of the population, digital is a non-negotiable priority for credit unions.

But the outlook for credit unions in 2022 isn't all bad news.

They are drawing new members with better savings rates and lower fees. The NCUA shows that shares and deposits are increasing. CUNA's most recent statistics reveal that more than 4.1 million new members joined credit unions, bringing membership numbers to 130 million.

But to keep those members and continue growing, credit unions will need to expand their digital transformation thinking to encompass internal operations, embrace cryptocurrency, optimize their fintech strategy and recruit/retain the right staff.

Here are five steps credit unions should focus on to help them thrive in 2022 and beyond.





01

Double down  
on digital  
innovation

02

Cybersecurity,  
cybersecurity,  
cybersecurity

03

Focus on  
financial  
management  
tools and  
wealth advisory  
services

04

Embrace  
cryptocurrency

05

Address  
today's hiring  
challenge

# 01

## Double down on digital innovation

It's not enough to view digital banking as a stopgap or to offer just the basics. Members expect a full suite of digital services, along with the cybersecurity to match it, or they will look for other banking options.

More than 45% of members under 55 say they would switch their financial institution for a better digital experience. And often that means more than just digital direct deposits, video chats and apps to transfer balances.

It means full digital branches with automated loan applications and financial planning. It means ensuring your product mix is meeting members' needs by aligning with the different needs of their demographic, such as auto loans in rural areas or retirement services for aging populations.

The pressure is also rising for credit unions with affinity memberships to abandon all physical branches and go 100% virtual. United Airlines' credit union pivoted its 80-year-old brick and mortar strategy to shut down all physical branches in 2020, and more credit unions are following.

Wipfli's 2022 community banking report, which included credit unions, indicates financial institutions recognize the urgency. Digital engagement was ranked as the No. 1 priority among the 177 financial institutions surveyed in 33 states.

Credit unions should also expand their definition of digital to go beyond member-facing services.

The key to successful digital transformation is strategy, change management, communication and execution.



Today they need cloud-based systems that manage member relationships, unify data, recruit new employees, manage content and more. Yet many have legacy systems with outdated processes and old, home-built programs that are strangling growth strategy and eating resources.

If credit unions just layer new systems on top of old ones, they'll only be hurting themselves.

The more valuable path forward is to identify their strategy and build a new digital roadmap that includes [re-evaluating all current tech](#).

Never forget that most digital projects fail due to people and process, so it's important that credit unions involve all associates from the beginning, communicate thoroughly and invest in training. Change management is critical to long-term adoption and success.

The agility needed also means you should cross-train and educate everyone on key pieces of technology, even if today, it doesn't seem necessary. All employees should be ready to step in or answer questions for your members.



## 02

# Cybersecurity, cybersecurity, cybersecurity

Today's circumstances have created the perfect storm for cyberattacks and data breaches. More members and employees are increasingly online, credit unions are relying more on third-party vendors and cybercriminals are getting smarter and faster.

Multi-factor authentication, for example, has been considered a sufficient layer of control in protecting remote access. But the National Institute of Standards and Technology recently recommended not using one-time PINs sent via SMS due to the threat of SIM card attacks. Services found in Gmail, iMessenger and elsewhere that auto-forward texts to a computer also increase risk.

The Federal Financial Institutions Examination Council recently recommended identifying high-risk users — such as those with remote access or senior management with access to critical data — and requiring enhanced authentication controls, such as fingerprint or face recognition.

The NCUA is also increasingly focusing exams on information systems and assurance and will use the Automated Cybersecurity Examination Tool and newly launched InTREx-CU to identify gaps in security safeguards, as well as identify critical program deficiencies in controls and practices.

Credit unions should conduct an independent assessment of their security so they are ready for NCUA exams. Consider using external auditors to bring an unbiased view that will help identify weaknesses during the cybersecurity assessment.

Finally, credit unions should have a plan for how to handle a worst-case scenario so they are prepared to respond and recover. The worst time to come up with a plan is during a security crisis.



## 03

# Focus on financial management tools and wealth advisory services

## Credit unions must find new ways, or in some cases recycle old ones, to expand their membership.

Wipfli's report showed 77% of the financial institutions surveyed have added wealth management services in the last three years. That trend mirrors ones seen in the 1980s and early 2000s when financial institutions turned to wealth management and advisory services to attract customers.

The difference today that might change that narrative is member needs and new technology.

The fear of the unknown has increased members' needs for both personal and professional financial counseling. In addition, baby boomers are the first generation heading into retirement with insufficient resources, and they need help with the rising cost of living and healthcare. And Gen Z is the most uneducated demographic on financial planning and wealth management.

New technology paired with those services will make it more financially valuable for credit unions to add wealth advisory. From automated administrative asks and member communication to risk analysis and asset maps, fintech tools are changing the wealth advisory landscape.

If credit unions aren't comfortable offering wealth management on their own, they should look to partner with a fintech or wealth and asset management firm.

One study found that when credit unions add investment advisory to a member relationship, credit unions increase wallet share by 159%, and members stay with credit unions 1.7 years longer.



# 04

## Embrace cryptocurrency

Cryptocurrency is not a fad that will fade away. The credit unions that recognize this and react accordingly will be best positioned for long-term success.

In December, NCUA removed a barrier for credit unions by ruling that they could partner with third-party vendors so members can buy, sell or hold cryptocurrency.

“Credit unions have been watching endless outflows of cash to crypto exchanges, and many people would rather use their primary financial institution for their first foray into crypto investing,” NCUA vice chair Kyle Hauptman told CoinDesk.

“Today’s guidance helps both concerns and gives a new revenue stream to credit unions (that) want to try it out. Financial services has always been ‘adapt or die’ and I don’t want credit unions to go the way of Blockbuster Video because we, the regulators, prevented innovation.”

When credit unions do delve into crypto, it should be with a fully integrated strategy.

Remember in the 1990s when the internet was new? Credit unions at that time developed “internet strategies” as side projects separate from the main objectives.

Today, the “internet strategy” is just the strategy. Think of crypto the same way. How do credit unions make it part of the culture and not just a secondary focus or side project?





05

## Address today's hiring challenges

All the new digital services, technology and crypto services won't help if credit unions don't have the right staff.

The Great Resignation means credit unions will have to fight harder to recruit and retain employees.

Credit unions already have a strong people-first culture that will help them draw the next generation of job candidates who are looking for a place where they belong versus just a paycheck. Diversity, equity and inclusion along with green initiatives are high priorities for the next generation, and credit unions will need to make those part of their culture as well if they haven't already.

To get an edge on hiring, credit unions should:

1. **Improve the digital hiring experience** and online application system. It's a reflection on how well you operate internally.
2. **Train recruiters and hiring managers** on how to conduct interviews that reflect a positive culture. Many don't realize that candidates are interviewing them too, so the questions they ask, the answers they give and their attitude all tell a story to candidates.
3. **Develop and stress policies** and benefits to support physical and mental health well-being outside work.
4. **Expand the recruitment pool** by looking for employees with aptitude, education and dedication rather than experience that can be trained for open jobs.
5. **Play up flexible, remote work options** in job postings.

To help retain employees, credit unions should also invest in developing flexible career paths, put a focus on coaching and invest in motivating employees.

Just like your members, your employees are feeling the stress of dealing with the pandemic uncertainty for almost two years, and a lack of motivation can cost you valuable people.

Succession planning must be a priority, too. As more baby boomers reach retirement age, credit unions are expected to see 50% of their executives leave their jobs. It's important to identify and train the next wave of credit union leadership now.

Those succession plans should extend beyond the CEO to encompass all C-suite positions, your board and key employees with highly specialized knowledge.



## Employee rates at credit unions

**330,000** people

are currently employed by credit unions, and overall, those numbers are climbing.

**1.1%** increase overall

Credit unions by asset size\*

**-1.3%**  
Small  
(<\$1B>)

**1.6%**  
Medium  
(\$1B-\$4B)

**3.4%**  
Large  
(>\$4B)

\*March 2020-2021 by the NCUA.

# Conclusion

Credit unions are experiencing growth not seen by other financial institutions.

According to the NCUA, shares and deposits increased by \$219.9 billion, or 14.4%, to \$1.75 trillion over the year ending in the third quarter of 2021.

But inflation, competition, staffing shortages, cybersecurity and digital shortcomings could quickly turn that trend, and credit unions could see challenges not witnessed in the volatile 1980s.

If credit unions continue to be agile and develop integrated strategies, they will be better positioned to weather the potential economic storm.

What starts as a problem can end in possibility. It's all in how you see it.

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