

FINANCIAL LITERACY *on the* **WEB**

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INTRODUCTION

Nearly 4,100 personal finance websites exist on the World Wide Web, according to The Nielsen Company, and they target individuals of all ages, income levels, and needs. Personal finance websites now attract one in four people who use the Internet, said comScore.com, which tracks Internet traffic, rivaling Facebook in popularity.

At the forefront of this trend are websites that monitor budgets for young professionals with high disposable income, deliver coupons to the thrifty, and host calculators capable of boiling down personal financial information into a single chart or a long-term financial plan.

This report imposes order on the Internet's chaos by providing a framework to assess personal finance websites. We determine what features make them most effective in promoting financial literacy and what marketing and advertising strategies are most successful in attracting visitors. To promote financial literacy, a website must give its users useful information and the tools they need to examine their personal finances and prepare sound financial plans and also the confidence to act on those plans.

First, we identify three categories – Models – of personal finance websites: Financial Data Aggregators, which use the computer's power to compile and analyze massive amounts of data; Financial Decision Aids, which are tools that range from simple mortgage calculators to complex online-financial planners; and Financial Communities where individuals meet and discuss their personal finances and provide support and advice to each other. We discuss the pros and cons of each Model. To illuminate them, we also profile marquee examples of effective and popular websites within each model.

Second, this report explores Internet and mainstream media strategies employed by successful operators of personal finance websites to win a following on the Web, where the transmission of information is unstructured, random, and evolving. The report concludes with proposed guidelines for organizations launching or maintaining their own personal finance websites.

PERSONAL FINANCE WEBSITES THAT WORK

On the Internet, marketing professionals say, "Content is King." Flash graphics and clever gimmicks may grab the attention of Web surfers but won't necessarily keep them engaged. In this section, we identify personal finance websites that contain content that is effective in engaging visitors, the crucial first step in educating them about their money matters.

For a shorter version of this report, visit <http://bit.ly/8YtRSb> 

FINANCIAL
SECURITY
PROJECT
at BOSTON COLLEGE

It is extremely challenging to engage Web browsers notorious for clicking through multiple sites. If a website doesn't present personal finance simply, clearly, and with pizzazz – concepts often anathema to finance – they'll move on.

The following three models of personal finance websites demonstrate important aspects of effective personal finance information on the Internet. They are not definitive or exhaustive.

The sites selected to illustrate our three models all have steady traffic flows – the Web is driven by rankings. A website that isn't well traveled ultimately cannot be effective in promoting financial literacy – the two are inextricably linked on the Web. [Traffic to each site is measured in the number of monthly visits by unique users – multiple return visits by a single user are not counted. Unique visits is the industry standard and focuses on newly generated traffic and is the best measure a website's usefulness.]

Also, there is also some overlap among the websites profiled within each model. For example, a single website may possess different features that might apply to more than one model.

MODEL 1: FINANCIAL DATA AGGREGATORS

Data aggregators are highly effective tools that harness computing power to perform complex analyses that few individuals would have the time, interest, or ability to perform on their own. The technology that drives these aggregators is so sophisticated that they seem deceptively simple to use.

Dynamic budgeting tools are currently very popular. They extract spending and income data from an individual's bank, credit card, or other accounts and distill the data into easy-to-read charts and graphs that highlight spending patterns and suggest ways to curb expenses. Other data aggregators perform more complex analysis, such as determining whether a portfolio holding a variety of individual securities and mutual funds is properly diversified.

Aggregators are effective as personal finance tools, because they continually analyze the underlying data as it changes. As a result, aggregators, by their very nature, keep individuals coming back for fresh information, which, in turn, keeps users engaged and focused on their financial affairs.

Aggregators also encourage individuals to analyze changes, over time, in their finances. These tools apply the same format to the data each time, making it easy to compare progress over months or years. These tools, therefore, provide a framework for a richer understanding of one's financial profile.

However, a large segment of the population would not benefit from using data aggregators, which typically assume the user has a minimum mathematical capability. It is hardly surprising that finance is among the most difficult topics to present to a general audience: Recent studies have found that only four out of 10 U.S. grade school and high school students are proficient in math. Someone who cannot calculate a percentage, sort through a chart, or interpret a histogram would be unable to benefit from the information generated by these complex tools.

Data aggregators are also extremely expensive to conceive, construct, and maintain. As a result, the best sites are often hosted by well-financed companies seeking to lure people to the sites in order to sell mutual funds, credit cards, or other financial products. The most popular budgeting website, Mint.com, was started by an independent startup that received millions from venture capitalists to invest in its technology and user interface.

Mint and many other sites offer Data Aggregators for free, as a marketing tool designed to bring repeated traffic to the site. The presence of a sales culture can create a conflict of interest for the website's host, who may or may not have the individual's best interests in mind when referring her to various financial products.

WEBSITE: MINT.COM



Purpose: *Dynamic Budget Tracker*

Unique Monthly Visits: *1.6 million*

Similar Websites: *MoneyStrands.com, PearBudget.com, Wesabe.com, JustThrive.com*

Mint is the star among newly popular websites that help young professionals manage their budgets. Mint enhances financial literacy by pushing users to recognize – and, ideally, change – little-understood spending patterns.

Mint meets the Web's gold standard: it's free. It is so popular that Intuit recently paid \$170 million to acquire Mint and plans to replace its Quicken software with Mint's more appealing and sophisticated technology.

Mint records and analyzes users' spending patterns by extracting data from bank, credit card, savings, and other accounts. Every 24 hours, Mint tallies all debit and credit card purchases and sorts them into categories: rent, groceries, transportation, utilities, and customized categories such as gym membership or Starbucks. Spending in each category is then compared with pre-determined monthly budgets specified by the user. A category's bar graph signals overspending by changing from green to red when a user exceeds her budget in that category. Behavioral changes can happen immediately, or over time, as patterns of excessive spending are revealed. One Mint devotee in Boston, for example, was shocked to learn that she spent \$500 every month to dine out and started cooking at home.

The site's popularity owes to its seamless technology. Its graphics are also easy to read and interpret, making budget analysis accessible to a wider population. And because Mint targets an everyday activity – spending money – users naturally return for updated information, generating constant traffic to the site. Mint sends out weekly email alerts to remind users their spending must be checked, credit card splurges controlled. Alerts contain budget summaries and data such as their five largest purchases or unusually large credit card balances.

Mint has two downsides. First, it requires users to reveal passwords for their online accounts. However, while baby boomers may be uncomfortable about giving up their privacy, it is apparently no obstacle to many younger users. Two years after its creation, Mint has some 900,000 unique visitors per month, which already puts it in a league with Kiplinger.com. (Similar budgeting sites, such as PearBudget.com, rely on users to input their own spending.)

Second, Mint generates revenues each time a financial company pays it a fee for successfully referring a new customer. Mint, using its full access to an individual's financial data, will direct a user paying 15 percent on a credit card to a card charging 12 percent. Or if a user's bank data show they travel frequently, Mint may refer him to a card that provides more frequent flyer miles. Mint said it mitigates this conflict by also recommending products offered by numerous financial companies, including those that do not pay fees to the website.

Banks have taken notice of Mint's success and are rapidly adopting budgeting tools of their own for their online customers. But Mint may have one advantage over a bank-sponsored budgeting tool. Bank customers, as expected, are in danger of being "captive" to products offered only by their existing institution.

WEBSITE: MORNINGSTAR.COM



Purpose: *Portfolio Diversification Calculator*

Unique Monthly Visits: 960,000

Similar Websites: *Finra.org, CakeFinancial.com, Covestor.com*

Morningstar employs its extensive in-house database of mutual fund holdings, performance, and other data to generate information to individual investors that was once available only to professional money managers or financial planners.

Morningstar is best known for its five-star rating system for mutual funds, which is a credible and widely-cited service employed by professionals and amateurs to determine where to safely invest their money.

Its Instant X-Ray tool advances financial literacy by allowing an individual investor to generate data on the diversity of holdings in her combined portfolio of mutual funds. The company reports that X-Ray has attracted a healthy 12,000-16,000 unique visits per month.

To use Instant X-Ray, visitors enter names and dollar amounts of each of their mutual funds on the site. The program searches for the correct ticker symbol and extracts each fund's current holdings from Morningstar's database. It combines the funds into an aggregate portfolio, which it then breaks down by asset class to display the portfolio's diversification. Diversification is measured various ways: by type of security, industry, geographic area, and security risk profile. Instant X-Ray's simple graphics reveal whether too much of the portfolio is invested in high-risk stocks or not enough is in international markets. It can also calculate the amount of cash an investor holds in funds that ostensibly invest only in stocks or bonds.

Morningstar's website stands out from other company-hosted sites, because of its strong reputation as an independent analyst in a mutual fund industry competing to sell products to wealthy investors. "Independence has been huge, and it's a differentiator for us," Christine Benz, Morningstar's director of personal finance, said. "If we think the manager's no good or we think the fund is overpriced, we will say that. That has helped us build trust among users."

Morningstar recently introduced a new tab – "Personal Finance" – on the home page to serve up independent advice, articles, and videos. The site makes good use of video "interviews" of Morningstar executives, including Benz.

Benz readily admits the site's shortcoming. Because Morningstar has such high demand for its services among baby boomers, retirees, and investment professionals, it has not used its ingenuity to target would-be investors in Generation X or Y.

WEBSITE: BANKRATE.COM



Purpose: *Product Comparisons*

Unique Monthly Visits: *3.2 million*

Similar Websites: *Term4Sale.com, Progressive.com*

Bankrate performs a valuable service for anyone borrowing or seeking to reduce interest costs on existing loans. The website provides visitors – for free – interest rates and other price quotes on a range of products from the site’s advertisers and non-advertisers. Savers can also get yields on savings accounts, certificates of deposit and insurance.

Bankrate is not a definitive resource for those buying financial products, but the site can provide a starting point for timely and competitive quotes from financial companies for the gamut of products, including home, equity, credit card, automobile, and other loans. Bankrate also slices and dices quotes, allowing visitors to personalize their searches. For example, those shopping for a credit card can search 15 categories of cards, such as gas reward, balance transfer, and cash back cards. A search for cash back cards generated 10 options. A search for 30-year mortgage rates in Boston generated more than 30 quotes from community and money center banks.

Financial company websites and blogs with heavy advertising can run afoul of a primary criterion for personal finance utility: providing independent information that serves the individual’s best interest. This is an issue for Bankrate – and similar sites that populate the Internet. But Bankrate at least attempts to walk the fine line between maintaining its integrity and supporting its commercial interests. Its slogan: “Comprehensive. Objective. Free.”

For example, one of its bloggers recently wrote about a December 2009 Wall Street Journal article about homeowners deciding to default on their mortgages and rent instead. This certainly did not make Bankrate’s bank advertisers happy.

Bruce Zanca, chief marketing officer, said Bankrate maintains its credibility by providing rate quotes from financial institutions that do not advertise. The site also employs a research staff to ensure it is quoting rates from large and small institutions in 10 major markets. Staff ensures the quality of quotes by checking on whether financial institutions are quoting true mortgage rates and not using Bankrate for bait-and-switch tactics.

A financial website that wants to survive, Zanca said, “provides a quality service and products and develops good product relationships and reliability.”

Bankrate promotes the use of credit and should be viewed with extreme caution, given its close relationship with lenders. The most prominent tool under the home page’s “Debt Management” tab, for example, is a credit card search. One card search option is targeted to individuals with bad credit who may already have too much debt.

MODEL 2: FINANCIAL DECISION TOOLS

Financial information is effective only if it is personalized. A Financial Decision Tool, by requiring individuals to input their unique data and other personal information, can generate results that illuminate an important element of financial health.

The technology design that drives these tools, or calculators, is often as important to engaging visitors as its visual design. Tools that require too much work on the users' part will drive them away; others that are easy to use may provide no actionable information. The best tools are simple to use and interpret, yet they are capable of performing complex analyses that makes them gratifying to the user.

Calculators currently exist on the Internet to answer every conceivable question: how long it takes to pay off a mortgage or to become a millionaire, whether to pay off debt or to save, whether to set up a Roth or a standard IRA, and whether to buy a new or a used car, among others. Motley Fool's website alone provides nearly 100 calculators; even community banks now offer dozens of tools to their online customers.

The profusion of calculators has not stopped organizations from continuing to update or perfect existing tools and, occasionally, devise a new tool that no one else has thought of yet. The Financial Decision Tools highlighted below go beyond the garden-variety calculators now pervasive on the Web.

The effectiveness of calculators varies widely. Many calculators achieve a single goal, say, calculating the mortgage interest cost of buying a home – such tools employ a standard algorithm that accurately applies to anyone's loan. Mortgage calculators estimate the loan's total cost or monthly payments by requiring users to input just a few variables – down payment, loan size and term, and interest rate.

It is far more challenging to design an effective tool that relies on a user entering personal information that can't easily be quantified, such as how long one will live. In other cases, the effectiveness of a tool relies too heavily on the user's accuracy in conducting an honest self-assessment of their ability to save or their expected investment returns in the future.

The value of these tools is that they provide insight with a simple benchmark or other measure of one's financial situation. Their simplicity is also their downfall. These tools cram everyone's data into a standard format that may not be suitable.

As was the case with Data Aggregators, conflicts of interest exist when a site's host offers Decision Tools as part of a marketing strategy to draw visitors in order to then sell them financial products.

WEBSITE: GOSIMPLIFI.NET



Purpose: *Financial Planning*

Unique Monthly Visits: 660,000

Similar Websites: *PlanWithVoyant.com*

Financial Decision Tools are deploying more sophisticated technology to become more comprehensive in what they attempt to do. GoSimpliFi demonstrates the potential for a future generation of websites by giving advice that typically is available only from a financial planner.

GoSimpliFi, which is operated by financial planners in North Carolina, began offering its service free to individuals in 2009. A virtual planner represented as an avatar named "Sophie," performs "top-down" analysis of visitors' financial data for those who cannot afford to pay for their own personal adviser. Sophie's tools make it easy for visitors to lay out details about their assets, debts, and

savings. She asks individual users to select and move icons representing the building blocks of their specific financial profiles— debt, savings, college, a house – into categories such as “Things To Grow” and “Things You Owe” to help them sort through their priorities, for example.

Sophie’s analytical skills are impressive. Using an individual’s inputs, Sophie grades her clients on their financial literacy, from A to F. She also analyzes the shortcomings in a financial program, proposes solutions, and prioritizes goals. Advice comes in an easy-to-digest format. For example, Financial Improvement Tasks – F.I.T. – are personalized and may suggest one visitor pay off credit cards or another set up an emergency fund. Goal Execution Tasks – G.I.T. – are advice for achieving long-term goals.

Sophie tracks whether users are completing their tasks and moving toward their goals. The website permits users to chart their progress over time, encouraging them to come back for more information and updates. GoSimplifi plans to roll out an iPhone application in 2010.

While clever, Sophia is still rudimentary. She may not be ready yet to replace a human financial adviser, though the company is constantly updating her tools.

WEBSITE: PSECU.COM



Purpose: *One-stop Shopping*

Unique Monthly Visits: 232,000

Similar Websites: *Addison Avenue Federal Credit Union, California.*

Credit union websites are often static. The Pennsylvania State Employees Credit Union site, PSECU.com, is popular among its customers – and, to some extent, the broader community in central Pennsylvania – seeking help with their personal finances.

PSECU demonstrates the effectiveness of providing tools to an established community: 365,000 credit union members: The site’s tools attract heavy traffic. The automobile calculator is the most-used tool (99,505 total visits per month), followed by home financing (43,300) and personal credit lines (21,000). In May 2009, PSECU added a new tab on the home page – Planning and Resources – to consolidate those tools with other financial information and definitions. The Resources tab attracts nearly 3,000 unique visitors per month.

PSECU is deliberate in steering clear of the conflicts inherent in selling products to customers. Its mission – improving members’ financial health – is repeated throughout the website, including the calculators, which are geared away from selling and toward helping members make informed decisions. For example, the automobile calculator does not encourage members to take out a car loan – which would benefit PSECU. Instead, it calculates the higher cost of purchasing a car with credit versus cash. The debt consolidation calculator advises against taking out a new loan if consolidation increases total debt costs.

Graphics are also varied to reach different audiences. For example, visitors can view their loan repayment costs either in a colorful chart for those wary of numbers or, alternatively, in a data-rich chart for more analytical customers.

This site’s primary shortcoming is that the information is limited in scope.

WEBSITE: SORTED.ORG.NZ SPONSORED BY THE NEW ZEALAND RETIREMENT COMMISSION



Purpose: *Calculators With Pizzaz*

Unique Monthly Visits: *105,000*

Similar Websites: *Investor.gov, sponsored by the Securities and Exchange Commission; MyMoney.gov, sponsored by the U.S. government.*

Government-sponsored websites are credible sources of information or links to other government agency websites such as the IRS'. But they are often dull and violate the Web's primary tenant: information must be engaging.

The New Zealand Retirement Commission's website, Sorted.org.nz, transcends the status quo. One way it does so is by packaging its financial calculators with videos and other compelling – and even entertaining – visual features that encourage visitors to use the calculators to educate and benefit themselves. Sorted has generated strong traffic: the site attracted about 105,000 unique visitors per month, on average, in 2010 and continued that pace in the first quarter of 2011.

Sorted.org.nz is comprehensive, with sections on layoffs, saving, retiring, debt management, trusts, home buying, insurance, and planning for partners. Yet, it invites visitors to browse. Its catchy slogan – “Get Sorted” – is a call to get one's financial affairs in order. The Commission uses a tried-and-true marketing technique – a friendly mouse mascot – who invites visitors to overcome their money fears and have a browse.

Sorted is ambitious in using videos to encourage visitors to try out its tools and make them feel comfortable. The site presents “Sorted Journeys,” which are videos of people who use these tools to improve their lives. Videos feature a single woman, Raeanna, who learns that she is spending too much on credit cards, and Carl and Jesse, a couple planning for marriage. Now that the couple has started using Sorted's budget calculator, “We're not running out of money for the shop at the end of the week,” Carl explained in the video. Separate video tutorials -- “Sorted Movies” – explain the overall site and provide information on personal finance topics: investments, debt management, mortgages, retirement, saving, and setting goals.

Sorted segregates information by life stages and targets two underserved groups: children and students. It hosts games to engage children in thinking about their allowance.

WEBSITE: FIDELITY.COM



Purpose: *Life Stages*

Unique Monthly Visits: *5.7 million*

Similar Websites: *Spendster.org, sponsored by the National Endowment for Financial Education; 360FinancialLiteracy.org, sponsored by the American Institute of Certified Public Accountants; LiferTuner.org, sponsored by AARP.org; RetirementRedZone.com, sponsored by Prudential.*

Fidelity Investments, one of the world's largest financial institutions, allows non-customers to sign-on and use the information and tools available to customers. Visitors to Fidelity's home page

may choose from five life stages: Starting Out, Building Wealth, Getting Ready to Retire, Living in Retirement, or Managing Wealth.

By clicking on the Getting Ready to Retire tab, for example, individuals can drill down and examine whether they are ready, how to prepare their portfolio, or what their Social Security options are.

This approach dovetails with Fidelity's marketing approach – encouraging customers to look at their long-term horizon and buy Fidelity products along the way – but the basic framework works well for most people. The company's enormous advertising budget certainly accounts for much of the traffic to its website.

Financial literacy experts frequently site Fidelity's as a premier website, and the company has thrown considerable resources into designing a site that is comprehensive yet clean, inviting, and well-organized. An interactive tool, "My Plan," makes full use of the Web's interactive potential and is fun to use – while educating users about whether they are saving enough money for retirement. My Plan allows users, using their mouse, slide knobs to change variables such as retirement age or monthly savings. Each time the knob moves, a chart showing projected retirement savings increases or decreases automatically – no clicking a "next" button required. Fidelity also uses catchy headlines to lure readers to articles on a range of topics. A section titled "Shattering Urban Myths" tackled the myth that there will be time to save for retirement after couples buy a house and save for the kids' college.

Like all financial company websites, however, advice on Fidelity.com typically leads to one place: Fidelity mutual fund, savings plan, estate planning services, and other products.

MODEL 3: PERSONAL FINANCE COMMUNITIES

Individuals have swarmed to the Web to take advantage of one of its biggest strengths: as a forum that fosters and referees virtual communities. Personal finance communities are thriving on the Web.

Personal Finance Communities take various forms: Individuals share investment advice or knowledge, compete in financial games, swap coupons, or attend virtual parties focused on personal finance. Even personal finance blogs are, in one way, communities and are categorized as such in this report. People gather around a blog to share their thoughts on the issues at hand and respond to each other's comments. The blogger acts as a moderator for the group, continually presenting new issues for consideration and directing the debate.

Personal Finance Communities have one central advantage over analytical tools. Some people prefer to learn from personal communication and take comfort in others' anecdotes. Even for analytical individuals, the usefulness of financial tools and calculators is limited. People flock to websites they trust to learn about others' first-hand experiences or to gather advice from numerous individuals and ensure they are getting a complete picture of their situation. The emotional support available on these sites may also prompt an individual to take action to improve his financial affairs in ways that a calculator cannot.

The pitfall of this model is obvious: There is a lot of bad advice, given by people without the proper credentials or education to do so. Similarly, the Internet is a particularly dangerous place to collect information, particularly financial information, which is often delivered up by the same

companies selling financial products or by bloggers helping advertisers sell products. There is an inherent conflict of interest for personal finance bloggers who accept money for running financial-company advertisements on their sites. In some cases, advertisers' products find their way into the editorial content.

However, some websites effectively use a self-policing mechanism built into the Web to protect visitors from bad advice. All information on the Web is public, and individuals who frequent a specific community are often vigilant in ensuring that bad information is exposed and eradicated.

Nevertheless, it is extremely difficult for anyone to uncover the conflicts of interest that hide in the nooks and crannies of the Web.

WEBSITE: BOGLEHEADS.ORG



Purpose: *Social Networking*

Unique Monthly Visits: 45,400

Other Websites: *Wesabe.com, SocialPicks.com*

Bogleheads's home page is an unattractive sea of purple hyperlinks, with one unimaginative design feature as its only adornments. Yet, Bogleheads is a vibrant personal finance website, with members carrying on conversations at all hours.

Bogleheads.org is named after Jack Bogle, founder of the Vanguard Group Inc., which sells mutual funds that track stock and bond market indexes such as the S&P 500 stock index. Bogle has an avid following for his investment philosophy of minimizing fees through low-cost indexing in order to maximize returns.

While the site first focused on a narrow audience – index-fund investors – it developed a strong reputation for giving useful advice on all types of investment topics. A new visitor named Joybelle recently asked Bogleheads for help after her aunt recommended the site. “My husband and I are in our late 20s with steady employment. It’s time for us to start thinking more seriously about the future,” said Joybelle. She then laid out her financial goals in detail, and several “Bogleheads” responded with practical advice.

Mel Lindauer, one of the site’s founders, said the information that members trade among themselves is highly accurate, because many Bogleheads are sophisticated investors who are vigilant in searching out and destroying inaccurate information when it is posted to the site. They are also welcoming of new people, a deliberate strategy to foster a culture that sustains the site’s popularity. “There’s no silly question,” Lindauer said.

Bogleheads is also popular, because visitors know that participants do not sell any products. The website does provide a link to Vanguard’s website. Lindauer said credibility is important to the site’s success – indeed, participants are sometimes critical of Vanguard. “We try to be as clean as possible,” he said.

Visitors to the site should remember, however, that believers in Vanguard’s index-fund philosophy tend to be dogmatic and have an inherent bias when dispensing investment advice.

WEBSITE: FOOL.COM



Purpose: *Games*

Unique Monthly Visits: *2.6 million*

Similar Websites: *Marketocracy.com, Kaching.com, Covestor.com*

The Internet has Fantasy Football, Baseball, and Soccer. It was only a matter of time before someone designed a fantasy game for stock-market amateurs. Motley Fool's award-winning website, Fool.com, hosts a vibrant community of individuals who compete to be the best performers at their game: stock picking.

The site boasts it "isn't some static web page or a set of articles, but a dynamic, thriving community of Fools." Spokesman Chris Hill said, "We're trying to make the information accessible, have some laughs."

Motley Fool generates revenues by selling advertising on the site, much like traditional newspaper websites do.

About 140,000 investors – with names like bullishbabo and SpecBear -- participate in the game, called CAPS. The game brings out participants' competitive streak, rewarding them with a ranking based on their overall investment performance. Each competitor picks a portfolio of stocks, and Motley Fool tracks the performance of each and continually updates its ranking of all the "Fools." Fools are also given jester's hats to denote their ranking – the more colorful the hat, the higher their return. Investors also write "pitches" to persuade other investors to "buy" their stocks.

CAPS arguably promotes financial literacy by providing a no-cost way for investors to buy stocks in the virtual market without risking real money. It builds confidence but also teaches investors that big losses can be sustained in the mercurial stock market. For example, one Virginia user said the site provided a virtual testing ground prior to entering the actual market. "I've learned an awful lot just by playing the game," he said.

Nevertheless, Motley Fool encourages a go-go investing culture that financial planners discourage for individuals of limited means who should invest prudently for retirement.

WEBSITE: GETRICHSLOWLY.ORG



Purpose: *Personal Finance Blog*

Unique Monthly Visits: *246,000*

Similar Websites: *AOL's WalletPop.com; BadMoneyAdvice.com; MyMoneyBlog.com, AllFinancialMatters.com, LazyManAndMoney.com/about/*

J.D. Roth started his personal finance blog, GetRichSlowly, in 2006, as he struggled to climb out of a mounting pile of debts and decided to write about his experience. Within two years, Get Rich Slowly became so successful that he quit his father's cardboard box company in Oregon to blog full-time.

Today, he is one of the most popular independent personal finance bloggers on the Web, according to a ranking on Fire Finance. Roth also hosts a weekly radio program on personal finance and has a large and devoted community of followers.

The blog's articles, written by Roth and guest columnists, frequently elicit numerous comments and lively online debate among readers. More than 100 people responded to one recent blog post, "How I Cut My Television Bills in Half." In it, Roth said he and his wife cut out their premier cable channels, and started watching more shows on Hulu.com and purchasing shows from the iTunes Store. In another post, on January 1, Roth reviewed whether he achieved his financial and other goals (not resolutions) for 2009 – he knocked his goal of saving \$5,000 for a car "out of the park." In two days, the post had elicited more than 50 comments, including one from a New Zealand fan who said, "I don't usually set New Year resolutions, but I think I will set some goals"

The personal finance blogosphere is rife with conflicts. Independent bloggers typically perform the dual role of writing their content and hustling for advertising from financial companies. It is virtually impossible for the average blog reader to ascertain whether an advertiser has influenced content or encouraged or squelched a specific article.

For example, the Get Rich Slowly home page has tabs for savings accounts, mortgages, insurance, and other products – each tab has advertising to match. Click on the "Credit Card" tab, and a reader finds blog posts about debt on the left side of the screen, and a column of credit and debt consolidation advertisers on the right.

However, Roth acknowledges the potential conflicts and said he tries to run a clean operation, which his readers rely on. In contrast to many bloggers who prefer anonymity, for example, he does not. His relationship with advertisers isn't always cozy either. He said he has, on more than one occasion, rejected an advertiser who tried to influence his content. He said he found out that one company that sold low-cost stock trades was expensive for customers, so he wrote a critical article. In another case, a credit card company didn't like a negative article he'd written and asked him to remove it. He refused and lost the ad, he said.

Blog followers are, nevertheless, at the whims of the self-policing system to keep bloggers honest. Roth said he has faith in the Internet community's ability to confront bloggers who publish bad or misleading information that could harm readers. "Credibility is all you have on the Internet," he said. "I think the good stuff floats to the top."

STANDING OUT ON THE WORLD WIDE WEB

The distinct culture of Silicon Valley's techie community is becoming increasingly influential. Information, fads, products, and videos – introduced on tech-focused sites such as on Digg, Life Hacker, Mashable, and Boing Boing, or via iPhones, YouTube, and Twitter – bubble up and become part of the popular culture.

Marketers are scrambling to keep pace with this fast-moving Web culture, which has razed the old landscapes and built up uncharted and unfamiliar structures to replace them. Retailers Banana Republic and Apple push their specials out to potential customers via Twitter, and Borders Books emails coupons. Amnesty International touts its mission on Facebook's virtual communities, and the Red Cross raised millions via Twitter for victims of Haiti's earthquake.

Any organization seeking to promote financial literacy also must adapt to this harsh new reality to ensure it stands out among the thousands of websites clamoring for "eyeballs." The competition is brutal.

All are seeking the Holy Grail of Web marketing and advertising. But there isn't one. Even the nation's largest corporations, equipped with multi-million-dollar marketing budgets, are having mixed success in these new forums. Bank of America's Facebook page, which has 938 fans, is countered by the "Bank of America Sucks" page, which has 413 fans.

This section examines how some of the most popular personal finance websites have used Internet, social networking, and mainstream media, as well as iPhone applications, email alerts, and new technology to generate "buzz."

Web-based marketing requires more ingenuity than marketing in traditional media, in part because it is not yet well-understood. Paul Kedrosky, who writes a popular blog, Infectious Greed, based in San Diego, said a multi-pronged strategy is essential. "You have to do it all. It helps to use Twitter. It helps to have compelling content. If you do just one thing – the world's changed. I don't think you can do it that way" anymore, he said.

The following section focuses on tactics used by personal finance websites and bloggers in the vanguard of using Web marketing and advertising to create buzz.

INTERNET MEDIA

Tech-focused Websites. Some personal finance websites boost their followings temporarily after winning mentions – and prized hyperlinks – or purchasing advertisements on websites sites targeting high-tech audiences.

Hyperlinks embedded in text matter for two reasons: More links potentially direct more readers to a site, generating first-time visitors and helping sustain word-of-mouth that is crucial on the Internet. Also, the more prominent the source of a link, the more weight it carries in determining how high a website's page ranks in a Google search. ("Web Sites Try Everything To Climb Google Rankings," *The Wall Street Journal*, Feb. 25, 2003.)

For example, one of Roth's big breaks came when a link to one of his early blog posts on GetRichSlowly was highlighted on Life Hacker, a self-improvement website for techies with 1.5 million unique monthly visitors. At other times, Roth's readers have posted his articles on Digg. Digg, with 40 million unique visits, is a niche website for young men that covers gadgets, games, sex, and bizarre news. Although anyone can post articles on Digg, postings by "power Diggers" are more prominent.

Other high-tech websites include BoingBoing, a website of "wonderful things," and MetaFilter, which follows unique trends on the Web. BoingBoing has been instrumental in driving people to the budgeting website Wesabe, which has about 41,000 unique visits per month, and to Pear Budget, which has about 15,000 unique visits, according to Compete.com, which measures Web traffic.

While many Silicon Valley websites may seem to outsiders to be overnight sensations, such feats of popularity are rare. One of the most-trafficked personal finance blogs, TheSimpleDollar, writes that websites must build their popularity incrementally. Unless a site is backed by a large media conglomerate that promotes it and drives traffic to it, Simple Dollar said, success comes through "steady growth over time, with occasional sharp spikes when they post something particularly popular."

Blogs. Buzz also spreads rapidly via blogs, which are often influential in driving traffic to personal finance websites. Charlie Park, who founded PearBudget, said he does not have a large advertising

budget but has found it is particularly effective to advertise on Simplemom, a blog targeting mothers who want to “stay sane.”

Bloggers can be more effective than old media in reaching younger audiences, said Ori Schnaps, founder of JustThrive.com, another budgeting website, with 30,000 monthly unique visitors per month. Founded in 2006, Thrive was recently acquired by Lending Tree, an online lender. “If you read a particular blogger or follow someone on Twitter and they recommend Thrive and you had a good experience with their recommendations in the past, you’re apt to take that advice more so than traditional media,” Schnaps said.

To get the word out about the budgeting tools on MoneyStrands, which launched in March 2009 and attracts nearly 5,000 unique monthly visits, the owners reached out to a handful of personal finance bloggers, according to Corey Whitlaw, author of the blog, Lazy Man and Money. Whitlaw said he first mentioned Money Strands in Lazy Man after he participated in a focus group convened by the budget-management website, which flew a handful of bloggers to the San Francisco Bay Area for the focus group.

Other popular independent personal finance blogs are: TheDigeratiLife, which is run by a woman who said she initially gave financial advice to friends; TheFinanceBuff, which is written by a former financial executive who said he has an MBA; and BadMoneyAdvice, which is written by a former Wall Street hedge fund manager who criticizes bad information on the Web.

Atakan Cetinsoy, Money Strands’ vice president of personal finance products, said bloggers can temporarily boost traffic to a site but they won’t ensure the crucial word-of-mouth momentum that sustains a site. Websites get only one shot, and the content must be engaging and the home page’s design flawless. If a visitor arrives at a site and cannot find useful information, he will not return.

Bloggers “give you a bump on that day or the day after but it isn’t a lasting effect,” which derives from “good product and word of mouth,” he said.

The blogosphere is also rife with practices that are viewed as unacceptable in mainstream print media, where a Chinese wall exists between editorial content and advertising. Bloggers, on the other hand, may have cozy relationships with entrepreneurs seeking publicity for their websites. Gia Lipa, who writes the personal finance blog Digerati Life, writes about Mint but said in 2009 that she has been paid by Mint to edit blogs and liaison with other bloggers. Lipa said she tries to filter out bad information and is “protective of my reputation and credibility.”

In another unusual practice, a coterie of personal finance bloggers seems to have resorted to a strategy of putting links on each other’s sites to generate traffic for their blogger friends.

Bogleheads’ founder, Lindauer, said that maintaining a website that seeks to provide independent advice “is more of a challenge with the new media, which is where all the action is. It’s not clear the reader knows what to expect.”

High-tech conferences. Personal finance websites based in Silicon Valley use their knowledge about how the high-tech world operates to plan their publicity campaigns. These insiders are formidable competitors for personal finance websites seeking to lure traffic on the Web.

Mint and Money Strands have attracted attention to their budgeting technologies at high-tech conferences, where mainstream and Silicon Valley converge to learn about the latest gadgets and trends.

Mint first promoted its budgeting software by launching its own personal finance blog to bring scattered attention to the site. Mint strategically asked the blog’s readers to supply their email addresses so the company could invite them to its product rollout – about 20,000 signed up.

But Mint owes much of its early success to a 2007 conference sponsored by TechCrunch, a website devoted to “obsessively profiling and reviewing new Internet products and companies.” TechCrunch’s annual conference is swarming with bloggers, as well as mainstream media looking for hot new trends. Prior to the conference, Mint had arranged interviews with mainstream media to set the stage. Mint’s founders entered their website in a contest sponsored by the conference – and won. Founder Aaron Patzer told Technorati.com that Mint received mentions in nearly 1,000 blog posts during or immediately after winning. Mint experienced so much traffic that its overloaded servers shut it down.

Mint’s Patzer said, “For startups, the blogosphere probably matters more than traditional media for the first few months.”

Lazy Man wrote about Money Strands’ demonstration of its new budgeting tool at Finovate, another high-tech conference. In another example of high-tech marketing savvy, Money Strands’ community outreach manager, Lucia Giacomantonio, gives her client a little publicity every time she writes a posting for GirlsInTech.net – her affiliation to Money Strands is identified.

SOCIAL MEDIA

Facebook. Forrester Research, a high-technology research firm, projects that expenditures on advertising through social networking will soar from about \$700 million currently to about \$3 billion over the next few years. Their potential reach is extraordinary: Facebook, the world’s largest social networking site, already has 500 million members – and is still growing.

Unlike, say, a mall with retail stores or a financial company with branches, websites are invisible. To attract traffic, websites try to go where people congregate – in virtual communities formed on social networking sites. In one recent survey, corporate marketers reported that LinkedIn, Facebook, and Twitter were the most effective for marketing and advertising through social networks.

While there is little research establishing the effectiveness of marketing on Facebook, Twitter and other social networking sites, they are now widely perceived as basic ways to generate and sustain the word-of-mouth recommendations necessary to sustain a website’s popularity. Facebook is being used effectively by some personal finance sites: Motley Fool has more than 4,000 Facebook “fans”; Suze Orman, 14,000; Mint, 43,000; and David Ramsey, a radio personality who specializes in personal finance, more than 260,000.

On Facebook, each member creates a Profile page, where he can post any information he chooses – family photos, a baby announcement, a provocative news article, or a link to a favorite website or YouTube video. He can then invite anyone he chooses to be a “friend” who is allowed to view his posts. The average Facebook user has 130 friends.

Facebook’s “fan” system is rapidly becoming a staple of advertisers. It encourages users to recommend companies’ or organizations’ websites or blogs to friends. A mention then pops up on each new fan’s Profile page announcing to dozens – or hundreds – of friends that they endorse that organization or community. Friends can then link to the organization’s Facebook page to learn more.

Marketers sensing an opportunity plan to spend more on advertising through social networks. According to a recent survey by Unisfair, 75 percent of marketers said they plan to increase their

social marketing budgets in 2010, followed by budgets for search engine optimization (51 percent), email marketing (49 percent), and virtual events (48 percent). <http://www.emarketer.com/Article.aspx?R=1007284>

Twitter adds a new dimension to social networking: instantaneous interaction.

Few people outside Silicon Valley knew about Twitter in 2009. It has now been seized upon by retailers, celebrities, bloggers, and college students who use Twitter to broadcast bits of information – “tweets” – via text messages to groups of customers, fans, or friends via cell phones, which are replacing home computers for teenagers and college students. Those who receive tweets may then choose to resend – or “retweet” – them to others.

Companies are finding innovative tweets to win potential customers. United Airlines tweets last-minute deals on empty seats on its planes, and a Korean barbecue truck in Los Angeles emails its route to more than 36,000 followers, *The Los Angeles Times* reported.

Cutting-edge personal finance companies view Twitter as essential for sending updates to keep users engaged. Mint has 19,000 Twitter followers, who receive a tweet each time Mint posts a fresh blog on its site. Some non-profits are in the vanguard of using the technology to target the young population their personal finance sites are geared to help. AARP employs Twitter to promote Life-tuner.org, as does EBRI to promote ChooseToSave.

Personal finance websites encounter a unique problem when using Twitter: a 140-word limit on each tweet is a poor forum for conveying complex financial information. Recipients of tweets also expect them to contain urgent and exciting information – sound personal finance advice doesn’t necessarily lend itself to that either. Mint recently tweeted headlines about articles on its website, such as “9 Places Where You Can Retire and Live Like a King,” and “Charity. Who Cares?”

MAINSTREAM MEDIA

Newspapers. A mention in *The New York Times* or *The Wall Street Journal* was always the gold standard for traditional marketers who were able to persuade a reporter that their product or service was newsworthy and worth writing about. A newspaper article has the imprimatur of objectivity and credibility that advertising does not. That remains true.

Numerous appearances in print media were crucial to Mint’s ability to generate and sustain its buzz. An article in the *Times*’ Sunday magazine in May 2009 – well after Mint had become popular – resulted in “one of our biggest traffic weekends ever,” Patzer said.

Mainstream Internet media. It is important to remember that the definition of mainstream media has expanded in recent years to include Internet-only news organizations, which can bring as much attention to a personal finance site as newspapers or television. Influential sites range from The Huffington Post to Salon.

The profusion of sites focused on personal finance include many hosted by mainstream media such as MSN’s Money and CNN’s Money.

AOL departed from other mainstream media and set up a personal finance blog, Wallet Pop, which has a separate url. Wallet Pop covers the gamut of personal finance issues, including mortgages, credit cards, budgeting, coupon clipping, and investing. Its Video of the Day, displayed at the top of its home page, provides news and tips. One video focused on interviewing shoppers on whether

they were getting deals on Black Friday after Thanksgiving; another targeted people who take cruises with tips on avoiding the overpriced extras that add hundreds of dollars to vacation expenses.

CONCLUSIONS

This report concludes with guidelines that organizations may follow in setting up their own websites to promote financial literacy.

Each organization must determine which personal finance information and messages are appropriate for its financial literacy campaign on the Web. The following recommendations do not seek to provide suggestions for this aspect of an organization's campaign.

Rather, they are intended as broad guidelines that any organization may take into account in conceiving and designing its website content, technology and marketing campaigns. The guidelines are based on successful and effective models and marketing campaigns used by private personal finance websites, which were discussed in sections two and three of this report.

Targeting populations. Non-profits must carefully consider whether their financial literacy campaigns will target a single population or will be all things to all people.

Many of today's most popular personal finance websites are tightly focused – on budgeting, an investment game, or a blogger's personality. The advantage of a focused site is that it can send a clear message that is easy to convey to web surfers who quickly click on to the next website if they don't like – or understand – what they see.

Trying to be all things to all people poses enormous challenges on the Internet. Financial information and advice, to be useful, must be personalized. But a website that attempts to please everyone can quickly drain a non-profit's resources. Costly tools are just one reason.

The best tools are effective in analyzing personal and individualized information, while minimizing the amount of work that the user must do. But a website targeting, say, five life stages would have to design complex tools for each of those stages.

Some websites have had success by instead targeting large populations under a unifying theme, such as budgets (Mint), coupon clipping (MoneySavingMom), or financial planning (GoSimpliFi).

Branding still matters. Despite the success of some independently operated personal finance websites, it is important to note that the most-trafficked financial websites are still operated by media with household names: Yahoo! Finance, MSN Money, AOL's Daily Finance, Forbes, *The Wall Street Journal*. These websites usually come out on top when Googling general personal finance questions or information.

Since it is so difficult to stand out on the Web, those rare organizations that have spent decades building a national cachet or a reputation for credibility – Harvard University, AARP, or Vanguard Investments, to name a few – can exploit the marketing advantages of an established brand name.

Marketing to young people. One exception to this guideline may be in targeting young people for financial literacy programs. In Silicon Valley, where independent bloggers and web entrepreneurs are trendsetters, a cool name that is not associated with the establishment enhances a website's appeal – and can also make its url memorable. AARP, an organization well known for promoting the interests of people over age 50, wisely created a separate personal finance website targeted to young people, LifeTuner.org; similarly, the National Endowment for Financial Education created Spendster.org.

Build on existing networks. To generate buzz about their financial literacy campaigns, organizations can deploy their established communities as a base for developing social networks on Facebook or Twitter or conversation threads in articles or blogs. For example, colleges, credit unions, or non-profit affordable housing programs for working people are natural communities that could organically grow a virtual community to spark the word-of-mouth buzz and ensure a website remains active. This virtual community would be a base on which to build a larger virtual community, much as Mark Zuckerberg built a Harvard-based website into Facebook, which is international.

For example, a university could post a link to its personal finance website on its home page, which has high traffic. The website might draw attention by focusing on a newsworthy topic of great concern to all students: growing college loan debts that overwhelm more and more students. The university's personal finance website, initially targeted to university students and employees, could be developed with an eye toward using its networks to reach a national audience. The content could be broadened over time to appeal to, say, alumni and former employees who would turn to a trusted source of information as they pursue their professional careers.

Taking advantage of independence. Conflicts of interest are a fact of life on the Web. However, transparency remains a valuable currency among individuals who are increasingly wary about the unreliability of financial and other information in cyberspace. Non-profits can exploit their inherent advantage. Some successful websites built their credibility by refusing advertising, including Term4Sale.com, which is, paradoxically, operated as a public service by the owner of an insurance business. Bogleheads' Lindauder said his website for index-fund investors built a following precisely because it seeks to remain conflict free.

Non-profit organizations can also adopt, as part of their financial literacy efforts, articles and information exposing conflicts of interest on sites backed by venture capitalists, bloggers, or companies selling products. Non-profits can explicitly promote their lack of such conflicts. Credit unions, for example, have long employed this in advertisements for potential members. The Pennsylvania State Employees Credit Union promotes the credit union's founding during the Great Depression when "trustworthy financial options were hard to find." An aggressive marketing strategy could use a journalistic blog to detail specific conflicts inherent in "free" websites that earn revenues by selling or recommending financial products.

Technology is primary. Engaging and retaining visitors are key to generating buzz. A site's overall design – its visual appeal *and* its technology – attracts visitors and prompts them to recommend the site to others. Sites without entertaining videos, clever tools, fun games or well-designed graphics are destined to fail. This is even more challenging for personal finance websites, because visitors want information that is tailored to them but does not intimidate them. Internet users want to be asked simple questions, yet seek answers to complex questions. The challenge falls on the sponsor of a personal finance website to resolve these contradictory goals.

Stickiness. A major challenge to creating a website is devising a mission -- and compatible technology -- that keeps visitors engaged and encourages them to return. An organization can use simple techniques such as including an RSS feed on their site or asking their visitors to email a link to a friend or family member who might benefit from it – much as people email links to newspaper articles they find interesting. To gain momentum, organizations may give the site's members an iPhone application, as Mint has done. Users carry the application as a ready reminder to return to the website, which they can also easily show it to friends.

Multi-pronged marketing. A multi-pronged marketing strategy is critical in luring new visitors to a website and builds momentum. Organizations should put as much emphasis on web marketing as they do on selling articles to mainstream media. Story ideas should be geared to the news of the day, and pitches to reporters should include people who benefited from the organization's tools and have already agreed to be interviewed.

This advice from Money Strands' Cetinsoy is sound: "It's not a sprint – it's a marathon."

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