NEWS REVIEW

The Heartland Institute Of Financial Education

2851 S. Parker Road Aurora, CO 80014

Phone: 303-597-0197 Fax: 303-369-3900

April 2013

April is National Financial Literacy Month

President's Advisory Council on Financial Capability Releases Final Report

US Department of the Treasury, 2013

Helping young Americans build strong financial knowledge, skills, and habits will serve them well over their lives and promote sounder and more stable household economies. This is one of several findings the President's Advisory Council on Financial Capability (Council) included in its final report to President Obama, which was delivered through the Department of the Treasury.

The Council's report includes a number of recommendations to help improve the financial lives of American individuals and families. The report finds a critical need to bring rigorous financial education to our young people. Financial education is the foundation for better decision-making, and it should start early and continue to be taught in school. The Council's report also focuses on improved coordination between local government, business, and community leaders. Local financial capability councils, which are created and planned by state, tribal, and local leaders, were inspired by the President's Advisory Council and will be critical in turning ideas into action. Finally, the report emphasizes the importance of research and the need to establish a baseline understanding of financial knowledge, particularly among young people. Financial education will not be successful unless we have a rigorous evaluation of metrics and testing to determine what actually works to change financial behavior.

You can view the report by copying the address below and pasting it into your web browser.

http://www.treasury.gov/connect/blog/Documents/PACFC%20Final%20Report%202013.PDF

Heartland Institute of FINANCIAL EDUCATION

NEWS REVIEW

Halfway There: 50% of Americans Need Better Savings Habits

National Survey Finds About Half of Americans Have Goals, Savings Plans

By Danielle Andrus, Advisorone, Feb. 26, 2013

Americans are split pretty neatly into good savers and bad savers, according to a national survey released as part of America Saves Week. The survey, conducted by Opinion Research Corp. International for the Consumer Federation of America and the American Savings Education Council, which is managed by the Employee Benefit Research Institute, polled more than 1,000 investors by phone in February.

About half of respondents reported good savings habits, the study found. Fifty-four percent said they had specific goals and 43% said they had a spending plan that included saving part of their money. Forty-one percent regularly transfer money from their checking accounts to savings accounts by automatic transfers, and 49% said they knew their net worth.
The survey found a similar divide in retirement saving habits. Fifty percent of workers said they were contributing to a retirement plan, and 49% said they were saving enough to have a "desirable standard of living" when they retire.

"According to the EBRI Retirement Security Projection Model, more than half of baby boomers and Gen-Xers will be able to retire with enough money to cover the cost of basic retirement needs as well as uninsured health care costs, assuming they retire at age 65 and retain any net housing equity in retirement until other financial resources are depleted," Dallas Salisbury, chairman of ASEC and president and CEO of the Employee Benefit Research Institute, said in a statement. Still, "a significant number are simulated to be at risk of running short of money in retirement. They know they need to save more."

Investors' savings habits haven't gotten any worse over the last 12 months, but they haven't gotten any better, either. In 2012, 66% of respondents said they were spending less than they were saving or had enough cash saved for emergencies. Both categories were down one percentage point in 2013 to 65%.

"The recession still has not ended for millions of American families," Stephen Brobeck, executive director of the Consumer Federation of America, said in a statement. "Many working families are still suffering from high unemployment rates, stagnant incomes and a housing market that is just beginning to recover."

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NEWS REVIEW

Why No Financial Plan?? Not Enough Money, Investors Say

Nearly 40% Haven't Created a Financial Plan

By Danielle Andrus, Advisorone   Feb. 28, 2013

Nearly 40% of respondents don't have a financial plan, a survey conducted for Genworth in December found. However, the most common reason respondents gave for not having a plan wasn't laziness or not knowing where to begin.

Over 30% of people who said they didn't have a financial plan said it was because they didn't have enough money. Just 10% of respondents said they didn't have a plan because they didn't have time or were procrastinating; 5% said they didn't know how to plan.

There are two reasons for that line of thinking, Pam Nelson, vice president of customer insights for Genworth, told AdvisorOne on Thursday. "Some people think they don't have enough extra money to warrant a plan. Some don't have enough, period, to have a plan and work with an advisor."

Many people, Nelson said, are "simply trying to pay their bills. They're living paycheck to paycheck."

Among respondents who didn't have a plan, unsurprisingly, the majority aren't confident about their financial future. However, among those who do have a financial plan, 40% of people with a financial plan say they still don't feel confident about their financial future. Respondents' biggest retirement fear by far was not having enough money to live comfortably (36%), while 18% said outliving their savings was their biggest fear.

Three-quarters of respondents 60 and older said they felt confident about their financial future, and nearly two-thirds of the youngest group agreed. Less than 60% of the 40-59-year-olds reported the same level of confidence.

The middle age group has "a lot of concerns at that moment," Nelson said. "They're paying for education for their kids. They're worried they haven't saved enough. They're in 'What do I do?' mode." The older group, on the other hand, has been through it all before, she said.
The most important aspects of financial planning, more than having an advisor or a written plan, are keeping a budget and establishing clear financial and retirement goals. Most respondents said they were compelled to create a financial plan just by reaching a certain age. Fewer than 10% of respondents said typical triggers like changing jobs or getting married prompted them to create a financial plan.

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Interestingly, the second most common answer for what compelled respondents to create a financial plan was “nothing”; 16% of respondents said they were not planning on establishing a financial plan.

Older respondents were more likely to rate having an advisor and frequent communications with him or her as important to their financial plan. Less than a quarter of people under 39 and just 20% of people between 40 and 59 said having an advisor was important to their plan, compared with 31% of people over 60.

Keeping a budget was the most important element of planning to each age group but was more important to those under 39. Similarly, 27% of that age group said keeping a written financial plan was most important, compared with 22% of those between 40 and 59, and 21% of those over 60.

The survey also asked respondents about the financial example their parents set for them as children. Most agreed that their parents set a good example regarding financial planning. While two-thirds of respondents with a financial plan said their parents were a good example, more than half of those without a plan said the same.

The company polled more than 1,000 adults with at least $50,000 in annual income for its “Psychology of Financial Planning” survey.

Women Closing Retirement Gap With Men

By Paula Aven Gladych March 6, 2013

Women are catching up with men when it comes to what they have saved up in their retirement plans and the rate at which they’re setting money aside.
According to fourth quarter 2012 data for defined contribution plans administered by MassMutual, the average deferral rate for women participants was 5.38 percent, an increase of 1.6 percent for the quarter. Men deferred an average of 5.81 percent, which was an increase of 1.2 percent from the third quarter of 2012.

According to MassMutual, the gap between what men and women save is gradually and consistently closing. Since the third quarter of 2010, when the average account balance among women participants trailed that of men by 40.49 percent, the gap has been gradually closing. During the fourth quarter last year, the average account balance among women was 38.25 percent behind their male counterparts, an improvement of 2.49 percentage points, or 5.6 percent.

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"This is a positive trend and we are so pleased to see slow but steady progress for our participants, especially our female participants," says Elaine Sarsynski, executive vice president of MassMutual's Retirement Services Division and chairman, president and CEO of MassMutual International. "We have customized our participant education offering on a number of fronts to drive action among specific segments such as women, and the progress we are seeing indicates that participants are responding favorably.“

The vast majority (73 percent) of asset allocation investments for females are in age-based strategies, while men are almost evenly divided between age-based and risk-based strategies, at 52 percent vs. 48 percent respectively.

Loan activity among MassMutual's participants is well below the industry average, indicating the company's call center representatives and educational programs are successfully communicating that taking a loan from a retirement vehicle should be a last resort. The percentage of participants in plans administered by MassMutual taking any kind of loan or withdrawal is the lowest of any 4th quarter in the past five years.

Average balances and average deferral rates are highest for the Silent Generation (born 1945 and earlier) and Baby Boomers (born 1946 – 1964). Combined, Generation Y and Generation X participants (born between 1965 and 1995) represent 56 percent of total participants and 32 percent of defined contribution assets. While GenX/Gen Y participant numbers are higher than the Baby Boomer count at 40 percent of participants, Boomers still have a greater share of the overall assets at 61 percent, but that gap, too, is closing.