NEWS REVIEW

Heartland Institute of FINANCIAL EDUCATION

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Americans Grade Themselves Highly on Financial Literacy

Michael Cohn, Accounting Today Sept. 2013

More than half of Americans (52 percent) gave themselves an A or B grade on their saving and investing knowledge, while giving the average American a failing grade of D, according to a new survey.

The survey, by Genworth Financial, found that 97 percent of the survey respondents agreed on the importance of financial literacy, but 88 percent felt they did not have enough. In addition, 58 percent of the survey respondents blamed the lack of financial education as a top reason why pre-retirees don't have enough money saved for retirement.

Genworth's continuing series of Psychology of Financial Planning consumer research aims to gain further insight into the psyche of Americans and what prompts or restricts them from planning for their financial futures. Genworth's latest study focused on Americans' financial literacy.

"Despite having more financial education resources available than ever before in the form of books, TV shows, websites, blogs, etc. we don't take advantage of them and, if we do, we don't apply what we learn," said Dr. Barbara Nusbaum, a New York-based psychologist and money coach.

"Why?"

Financial decisions, behaviors, and actions are highly motivated by emotional and psychological factors. If we can better understand our personal feelings about money, we will be more able to educate ourselves and, most important, better apply this knowledge to secure our own and our families' futures."

Psychological feelings about one’s finances and the motivation to become financially educated varied by individual, with particularly significant differences between genders. The data revealed that only 40 percent of women would give themselves a grade of A or B on their knowledge of saving, preparing for the future, and investing options compared to 66 percent of men.

Furthermore, women (21 percent) appeared to be more driven by fear than men (14 percent) when it comes to seeking more financial education.

“For men, making money is often tied to how they feel about themselves, including their positive self- identity, and how their success is measured, which creates a greater motivation to become financially literate,” said Nusbaum. “Conversely, women are more socialized to focus on financial and family security, such as budgeting, easy access savings, debt-reduction, and lower-risk investing, rather than accumulation strategies often taught in financial education.”

When asked who should take responsibility for educating the American public on basic financial matters, 75 percent of the respondents placed the responsibility for financial literacy on themselves, followed by parents and family (56 percent), teachers/school (50 percent), the financial industry (34 percent), independent third-party organizations (19 percent), and government (17 percent).

Ensuring a stable financial future is the number one motivation (67 percent) for consumers to seek more financial education, far exceeding fear of running out of money (18 percent) and envy of other’s financial success (2 percent).

“Take your education into your own hands,” said Olympic swimming gold medalist Wendy Boglioli, a national spokesperson for Genworth. “People get so busy living day-to-day that their long-term financial goals get put on the sidelines. The great value in working with a financial professional is that they can help keep you on task in meeting your goals and provide important financial knowledge.”

Boglioli provides three tips for staying motivated and on track when it comes to financial literacy:

• **Find a mentor.** Partner with a spouse, financial professional, or a family member to help write a financial plan and overcome the emotional, psychological, and financial roadblocks that can distract us from meeting our goals. Everyone needs a coach or a mentor to push them through difficult decisions.

• **Track your progress.** You don't have to meet all your goals tomorrow. Make a list and start crossing them off. One by one you will get inspired as the list begins to dwindle and your short-term and long-term goals are met.

• **Stay focused.** It's not about how much you save; it's about being confident and comfortable with your financial future. Focus on your short-term and long term-goals, be diligent, and you will get to the finish line.

Think You're Saving Enough to Ever Retire?
Half of boomers haven't even done the math. Have you?

Jean C. Setzfand, AARP   March, 2013

If you've ever read *Alice in Wonderland*, surely you remember the Cheshire Cat's advice to Alice who had asked for directions to nowhere in particular. "That depends a good deal on where you want to get to," replied the cat.

A new survey shows that too many Americans are applying Alice's aimlessness to their retirement: They're putting off the most rudimentary financial planning, neglecting to save, and vaguely planning to work longer — without knowing whether that's a realistic goal.

As a result, nearly half of American workers are not confident they will have enough money to live comfortably throughout retirement, according to the latest Retirement Confidence Survey put out by the Employee Benefit Research Institute.

That's a huge difference from the 1995 survey, when only 27 percent of respondents expressed that fear.

Debt, cost of living, and job uncertainties all contribute to the problem, according to the survey, but here's another factor that undermines their confidence:

A whopping 54 percent of respondents haven't even tried to figure out how much money they'll need to save to live comfortably in retirement.

It's hard to be confident about your destination when you don't know where you're going. Only 18 percent of the survey's respondents had sought the advice of a financial advisor. Another 18 percent said they did their own estimate of how much money they needed, and only 8 percent used online tools to help with their calculations.

The rest just guessed at how much money they would need.

Of course, not everyone can afford to use a financial advisor. In fact, there are some legitimate conflict-of-interest reasons to question investment advice rendered by a professional. But many trusted organizations, such as AARP, offer free tools and resources to help you figure it all out.

While you're doing your planning, you'll need to identify what your estimated expenses will be while you're retired and how much money you'll need to have saved to meet those expenses. Be sure to look at your Social Security benefits and decide when you're going to claim — the longer you wait, the bigger your benefit will be for you and your surviving spouse.

You may want to work longer — or start your own business — but you can't necessarily count on working longer as the remedy for not saving enough now. The Retirement Confidence Survey regularly finds that nearly half of us end up retiring earlier than planned, often because of health problems, ailing family members, or because the ground shifted at work.

For me the takeaway is this: If you want to be confident about your retirement, it's time to take the guesswork out of planning for it.