NEWS REVIEW

The Heartland Institute Of Financial Education
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Avengers Save the Day:
Innovative Groups Teach Youth Financial Wellness

By Nikki Eberhardt PFEEF March 2015

What do superheroes and mentors, financial calculators and online courses have in common? Each is a financial wellness tool developed by Visa, Staples Foundation, The Church of Jesus Christ of Latter-day Saints and Operation Hope to teach youth financial literacy.

Financial wellness is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. Studies show that a majority of young people in the United States have poor financial literacy. In 2010, the Treasury Department and Department of Education assessed financial literacy in U.S. high schools, and the results were not good: the average financial literacy score of nearly 77,000 students was 70 percent. The Gallup-Hope Index of 2012 found that 46 percent of 70,000 polled 5th-12th grade students reported their schools did not teach them about money and banking. This trend has been consistent over the past decade and shows few signs of improvement-all at a time when young people face more personal debt and a difficult domestic and global job market.

The financial crisis demonstrated the impact of excessive spending and poor financial wellness. In the wake of the crisis, many public and private partners teamed up to help youth take control of their financial future-they wanted to equip the younger generation with skill sets to manage financial resources for themselves and society. Ideally, children develop financial skills they'll need in adulthood while still in school - things like balancing a checkbook, filing taxes and managing credit cards. But in reality, despite the increasing number and complexity of financial issues, only a handful of states mandate financial wellness courses as a condition for graduating high school.

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Avengers Save the Day: Innovative Groups Teach Youth Financial Wellness Continued…

Many companies, religious institutions and nonprofit organizations stepped in to tackle the problem by developing innovative financial wellness tools for youth. Visa's Practical Money Skills for Life Program helps teach the fundamentals of personal finance through interactive resources that educate pre-K through college students. They introduce children to basic money concepts in a kid-friendly format as they collaborated with Marvel Comics on a new comic book called Avengers: Saving the Day. The plot follows the world's most popular superheroes-Iron Man, Spider-Man, Thor, Hulk and Black Widow-as they learn valuable lessons about managing personal finances while foiling an attempted bank heist by the arch villain, Mole Man. The action-packed comic features a budgeting worksheet, finance terms and more.

Staples created Staples Foundation in 2002 to provide youth with the opportunity to achieve their full potential, including financial literacy. The Foundation for Learning provides another example of a private sector company employing innovative financial wellness tools. They collaborated with Mass Mentoring Partnership to recruit local businesses and adults in Massachusetts as youth mentors for financial wellness and job skills. Staples Foundation knew research has shown that youth guided by a successful role model are more likely to improve their academic performance through better decision-making skills and self-confidence.

Church groups launched innovative online platforms. The Church of Jesus Christ of Latter-day Saints provides online financial calculators to youth and families to assist in providing a more secure financial future. They provide a series of questions such as "How soon could I pay off all my debts?", "Would spending a little less and saving a little more make a difference?" and "How much could I have if I saved regularly?". Youth use calculators to input personal financial information and see potential financial scenarios play out.

Charities have also teamed up with companies to improve youth financial wellness. Operation Hope, provider of financial wellness empowerment for youth through a series of creative public and private partnerships, crafted a "Kids and Teens, Listen Up!" financial wellness program for grades 4-12. Youth learn about the basics of banking and credit unions, checking and savings accounts, insurance, credit and investments through exciting online courses.

These innovative groups and other partnerships will continue to produce cutting-edge financial wellness tools for youth. Ideally, with sustained program implementation and sharpened financial wellness tools in the quiver, groups will increasingly impact youth and improve financial literacy. Present initiatives may be insufficient, but the avengers must save the day-our collective future depends on it.

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How Financial Literacy Affects Retirement

By Krystal Bailey PFEEF March 2015

It might be assumed that of all age groups, the older generation is the most financially literate. With a lifetime of experiences, they have already made many financial decisions leading up to retirement. But the 2004 Health and Retirement Survey and the 2009 Financial Capability Study show different results. Older respondents (50 and older) were less likely than all other age groups to respond correctly to three questions on financial literacy. In the 2004 study, only one-third of this group got all three questions right.

The surprising part of these findings is that these individuals have lived through major historical economic downturns and stock market declines. But these events in and of themselves were not education enough to preclude financial mistakes in later years. These findings were not restricted to the United States either. They were compared to an international sample group as well, only to come to the same conclusion: financial literacy declines with age.

The major disadvantage that comes with this issue is that the elderly are known to be a vulnerable population, thereby a target for scammers. Annamaria Lusardi wrote in the Journal of the American Society on Aging that our "financial landscape has become more challenging . . . [with] new products and financial services . . . accessible to the small investor" with more opportunities to borrow. This becomes a significant problem to an already vulnerable population being presented with complex financial decisions that could devastate finances in retirement.

Another common issue with retirees is that roughly 65 percent retire with some type of debt. But this statistic isn't surprising when the National Foundation for Credit Counseling found that over 50 percent of adults in the U.S. don't have a budget. Furthermore, 22 percent didn't have a good idea of how they spent their money. Given the lack of financial management over a lifetime, it is easy to see how debts are rampant in retirement.

Unfortunately, many baby boomers were relying on interest made off of savings and investments to carry them through retirement. But with economic downturns, interest rates have decreased, leaving seniors without the income they planned on. And with greater health costs in later years, their financial strain increases. As a result, many seniors have turned to risky investments to get by.

The Oxford University Press has released a new book on this subject entitled Financial Capability and Asset Holding in Later Life: A Life Course Perspective. This book recommends four major areas for improvement to combat this vulnerability: "build capacity at the individual and household level, create more effective institutions, design better public policies, and advance knowledge through research." While directed at anyone interested in financial affairs, the opinions given are also meant for policymakers, as gaps in current policy are discussed. These insights on policy reform could alter the precarious financial situation of seniors.

How Financial Literacy Affects Retirement Continued…

Other resources are available for seniors and anyone planning on retirement to avoid financial vulnerability. NerdWallet, a personal finance website, has information and tools to help in becoming financially literate. For example, one article on social security benefits recommends a more strategic approach to claiming social security; most rush into a system they don't understand and lose thousands of dollars as a result. But by making an effort to learn before retirement, by seeking out trusted financial advisers and tools, retirement can be a more financially stable time. While these resources may not benefit baby boomers now, we can all learn from the situation to ensure that this pattern of financial vulnerability in later life doesn't continue.

Seniors: Beware of Fraud

By Maren McInnes PFEEF March 2015

Americans are losing as much as $40 billion a year to investment fraud. In the recent past, 30.2 million-13.5 percent of consumers-fell victim to fraud in one year.

Investment fraud occurs when people are persuaded to invest in fraudulent stocks or bonds and consequently lose their money.

The elderly especially are targeted for investment fraud for several reasons. First, perhaps because some are not as financially literate as they think. In one financial literacy research project, participants were asked the following question: suppose you owe $1,000 on your credit card and the interest rate you are charged is 20 percent per year, compounded annually. If you didn't pay anything off, at this interest rate, how many years would it take for the amount to double?

Only 35.9 percent of participants answered correctly-Under 5 years.
The participants were categorized into different demographics, including age. The results were interesting: of the participants 65 and older, less than 30 percent answered the question correctly. While on average these same individuals claim financial literacy, the results suggest the opposite.

A second reason is that the elderly often have substantial wealth. According to 2010 census data, the net worth of the average household headed by a person 65 or older is 47 times greater than one headed by an individual under 35. The median net worth of these households is $170,494. Many elderly people who have money can be persuaded to invest -even into holdings that are risky.

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On the other hand, some people 65 or older who are ready to retire, or already retired, are realizing that they do not have the money needed to do so as comfortably as they would like. Bonds that they thought would make 3 to 5 percent return now pay less than one percent. Since investment fraud usually offers the promise of high returns, it can be easy to fall into the trap of trying to make money fast.

Another reason that the elderly are targeted for investment fraud is that they appear more likely to take calls from fraudulent telemarketers. According to an AARP study, an estimated 57 percent of telemarketing fraud victims are over the age of 50. Part of the reason many of the elderly are sucked into investment scams is that they are willing to take calls from fraudsters. A sad fact of our society is that millions of older people are lonely and are willing to take calls from those who will take their money.

Investment fraud scam artists know how to lure even educated people into bad investments. They especially know how to target the elderly; they are aware of the elderly's need for higher returns and will exploit them. But there are ways to avoid being scammed.

The U.S. Securities and Exchange Commission offers some suggestions. First, ask questions and check the answers. Research the company before investing. Never judge a person's integrity based on how he or she sounds. This is especially important with telemarketers. Do not be rushed into investment decisions-take your time. Finally, watch out for salespeople who prey on your fears.

Investment fraud is a serious problem and the fraudsters who do it know their trade. It is important to be wary of them and cautious when making investments.

Another thing that many of us can do is to be aware of the needs of old people. We don't need to treat old people as if they always need our company. But, a phone call or a visit to an older individual might not be a bad investment for a number of us. We might even find that we learn a thing or two from the experience.