AARP FOUNDATION FINANCES 50+℠

Sponsored by and developed in collaboration with Charles Schwab Foundation.

Research Brief: Program Impact and Implications for Policy & Practice

Center for Financial Security

UNIVERSITY OF WISCONSIN-MADISON

Publication Authors:

Dr. J. Michael Collins and Hallie B. Lienhardt

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AARP Foundation is working to win back opportunity for struggling Americans 50+ by being a force for change on the most serious issues they face today: housing, hunger, income and isolation. By coordinating responses to these issues on all four fronts at once, and supporting them with vigorous legal advocacy, the Foundation serves the unique needs of those 50+ while working with local organizations nationwide to reach more people, strengthen communities, work more efficiently and make resources go further. AARP Foundation is charitable affiliate of AARP. Learn more at www.aarpfoundation.org.

About Charles Schwab Foundation

Charles Schwab Foundation is a private, nonprofit organization funded by The Charles Schwab Corporation. Its mission is to create positive change through financial education, philanthropy, and volunteerism. More information is available at www.aboutschwab.com/community. The Charles Schwab Foundation is classified by the IRS as a charity under section 501(c)(3) of the Internal Revenue Code. The Foundation is neither a part of Charles Schwab & Co., Inc. (member SIPC) nor its parent company, The Charles Schwab Corporation. Charles Schwab Foundation, Schwab, and The Charles Schwab Corporation are unaffiliated with AARP.

Introduction

Attention to the financial capability of all segments of the population has intensified over the last several years. The recent turbulence caused by the economic crisis, the rapidly changing and complex financial marketplace, and the greater necessity of individual preparedness for financial self-sufficiency have all contributed to the motivation for improved financial fitness among all Americans, especially vulnerable populations. Strategies and approaches to target populations such as youth, those with low-income, and veterans have become more readily available and have focused attention on population specific issues and techniques to reach these groups more effectively. Yet, one of the most rapidly growing populations facing some of the most diverse and complicated of financial issues, is that of older adults aged 50+. Older adults encounter some of the most intense and important life decisions during this point in their life course, including preparation and participation in retirement, healthcare related needs, the changing roles and circumstances of children reaching adulthood, and transitioning needs in housing. Yet, facing these challenging life decisions and changes can be difficult without the appropriate knowledge, support, and resources.

Between 2010 and 2011, median income of households headed by a person aged 55 to 64 dropped 4%, which was the largest decline among any age group (AARP Public Policy Institute, 2011). In 2011, the U.S. Census Bureau found 15.1% of older Americans were living in poverty. Of Americans aged 55+, 17% have overdue medical bills, 6% are still paying down personal student loan debt, and 27% report that they would have difficulty handling a short-term unexpected expense (FINRA, 2013). Taking on the charge of reaching this particular population, AARP Foundation, in collaboration with Charles Schwab Foundation, designed, developed and disseminated a financial capability curriculum targeted to the 50+ age group. The training was offered through classes administered by 11 different organizations and evaluation of the impact of the training was captured through pre-test and post-test assessment. This brief will discuss the study design and research methodology, the key findings, implications for policy and practice, and future research recommendations.

Finances 50+ Financial Capability Curriculum: The Importance of Program Design

Design and development of the AARP Foundation Finances 50+ Financial Capability Curriculum was undertaken through sponsorship and collaborative efforts of the Charles Schwab Foundation and the program was created to specifically focus on the financial needs of older Americans. The curriculum was designed as a three-part financial training curriculum offered weekly over three consecutive weeks, available in English, Spanish, and Chinese. Taught to participants in groups of fifteen people or less and facilitated by trained staff or volunteers, the workshops were designed to be intimate settings with a focus on discussion, interactive learning, and engaged involvement. A training format of three, 90-minute sessions allowed for coverage of nine topic areas that prove relevant to the financial lives of the target population. In the first session, participants were introduced to the topics of self-assessment and net worth, goal-setting, and budgeting. With these areas of focus, the participants were taught how to take stock of their own financial standing, formulate and address their future goals with a practical approach, and become familiar with effective tools for maintaining a household budget. The second session of the curriculum armed participants with knowledge and skills on three topics: understanding credit and debt, the cost of debt, and navigating debt. These focus areas addressed the complicated topic of credit and debt by helping participants to obtain and read their credit report, understand and manage debts, and become more adept in handling a debt crisis. The third session emphasized the three topic areas of saving, protecting assets, and the development of an action plan. This final session culminated with the objectives of empowering participants to make wise spending decisions, learning to save as a regular behavior in all financial circumstances, identifying and guarding against fraud and scams, and finally teaching participants how to move forward with their newly developed skill set and knowledge through a defined action plan.

PRACTICE TECHNIQUES, APPLIED APPLICATION, AND ACTION PLANNING

Several key characteristics of the design of the Finances 50+ financial training curricula stand out as integral to the success of the program. First, within each session and topic area, the curriculum emphasized and integrated the use of hands-on activity and practice techniques. This important strategy to actively engage participants in examination of their own financial behaviors and then apply practice exercises to address those individual behaviors is a crucial component to the successful design of the program. Research shows that increased effectiveness and impact of financial education must be rooted in the application and therefore altering of financial behavior. Behavioral economics suggests that conveying technical information without a basis for application and integration into real-life practice will result in disappointing results in financial education (Yoong, 2013). Through action planning and defining of measurable, concrete steps to reach a financial goal, participants are more likely to put the information to use in their own lives. The Finances 50+ model provides testament to this theory as later findings in this brief will indicate.

CONTINUED SUPPORT TO INSTILL GOAL COMMITMENT

The program integrated an additional source of motivation and support to program participants by offering access to a Money Mentor volunteer. The role of these volunteers was to provide on-going support through one-on-one meetings after the workshops in order to further encourage the momentum and implementation of newly learned financial habits. "Commitment devices", such as the Money Mentor aspect of the program, are follow-up interventions that have been proven to increase the likelihood that participants in financial education will stick with an action plan and take steps towards a goal (Yoong, 2013).

TAILORING TO THE 50+ POPULATION

Adapting curricula to address a targeted population and delivering that information in a population appropriate manner is vital to the overall effectiveness of financial education (Yoong, 2013). Content specific to the older adult population and salient to their needs as a unique audience was undoubtedly a crucial factor in the positive results of the program. Focusing on such topics as scams targeted at older adults and using case studies to describe situations frequently faced later in life are just two examples of the use of population-focused content in the curricula. The availability of the curricula in three languages also lessened a barrier that can be present when seeking to expand the reach to other vulnerable populations.

Study Design and Methodology

Evaluation and impact of the Finances 50+ financial capability program began with dissemination of the training curriculum to 11 organizations across the country that began administering the trainings through their organizations. Pre- and post-test assessment of approximately 2,775 training participants who attended the workshops began in September 2012 and went through December 2013. The pre- and post-test evaluations were designed to measure participant's financial behaviors around spending, saving, budgeting, investing, handling of debt, along with various other habits. The pre-test, or baseline survey, was administered prior to receiving training and the post-test was given to participants following the training at 3- and 6-month post-training intervals. The three intervals (baseline, 3-month post-test, and 6-month post-test) were all handled as independent surveys, taking approximately 15 minutes for participants to complete. The baseline survey was completed by participants before the first financial training session began and was administered as a paper survey. Both post-test surveys given 3-months and 6-months after the trainings were distributed by mail or online as chosen by participants[1]. Out of the approximately 2,775 participants to take the training course between September 2012 and December 2013, 427 completed a survey for all three survey intervals. This group of 427 participants is therefore the basis for most comparisons derived from the study. The two main purposes behind the study's methodology of evaluating pre- and post-test surveys was to capture information comparing behaviors relating to financial topics covered before and after class participation and to determine whether more desirable financial behaviors actually increased after class participation.

1. At the beginning of the study period (September 2012 – December 2012), the baseline survey was administered by phone by the research firm among class participants who pre-registered for Finances 50+. However, due to difficulty in reaching class participants prior to the first class, a decision was made to switch to the paper survey beginning in January 2013. For participants who completed a baseline survey by phone, they were also contacted by phone for the 3- and 6-month follow-up surveys."

Key Findings

SELECTED BASELINE CHARACTERISTICS OF STUDY PARTICIPANTS (n=427)	
Female	78%
Age 50-74	60%
Married/living with partner	31%
White	46%
African American	43%
Household Income Less Than $35,000	67%
Retired	52%
H.S. degree/Tech school	37%
Renter	51%

PARTICIPANT DEMOGRAPHICS AT BASELINE: A LARGELY VULNERABLE POPULATION

Within the baseline surveys completed by the class participants, demographic data collected revealed a host of characteristics that provide interesting background on the population. Over three-fourths of the participants were women, 60% were between the ages of 50 and 74, and the racial make-up of participants was split roughly between White and African American. 67% of participants made less than $35,000 per year in household income, over 50% were retired while 25% were unemployed or disabled, and 51% were renters. As a whole, this demographic data reveals a participant pool that is relatively low-income and bearing the characteristics of a more financially vulnerable population.

FINANCIAL BEHAVIORS AND OUTLOOK AT BASELINE: LACK OF CONFIDENCE AND LOW SAVINGS

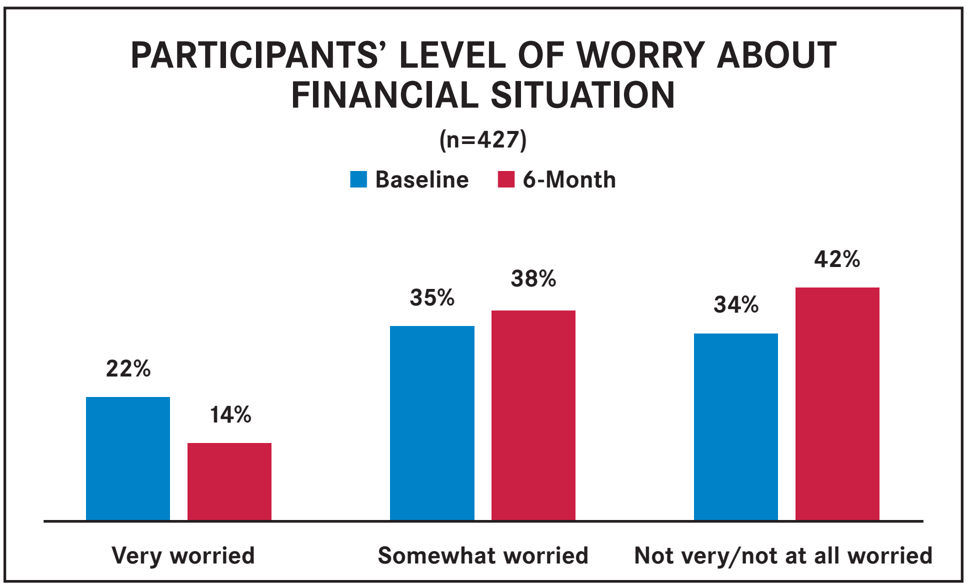
Data gathered on financial state of mind at baseline revealed that 57% of participants had some heightened degree of concern about their financial situation. Baseline questions reporting on household spending and saving habits showed that 21% reported spending more than their income in the last three months, 65% had less than $10,000 in non-retirement savings, and 46% had less than $10,000 in retirement savings. Mindset related to financial goals at baseline revealed that less than half (42%) had even one financial goal, the most common goal being to save money (12% of respondents). Overall, the reported financial behaviors and mindset at baseline data point to a rather financially troubled population of participants with behaviors that support the stated lack of savings.

Key Findings

6-MONTH EVALUATION: ENCOURAGING CHANGES IN MINDSET

Findings at the six-month survey interval revealed significant positive changes in attitudes revolving around financial matters; notable improvement that can be attributed to participation in the Finances 50+ classes. Of the group of participants who had noted an elevated concern about their financial situation at baseline, 36% felt a lessening of stress at the 6-month interval. Stated confidence in ability to improve one's financial situation saw a net positive change of 25% in participants who felt very confident in their ability to improve their financial situation.

Question 1. How worried are you about your current financial situation? Check one response.

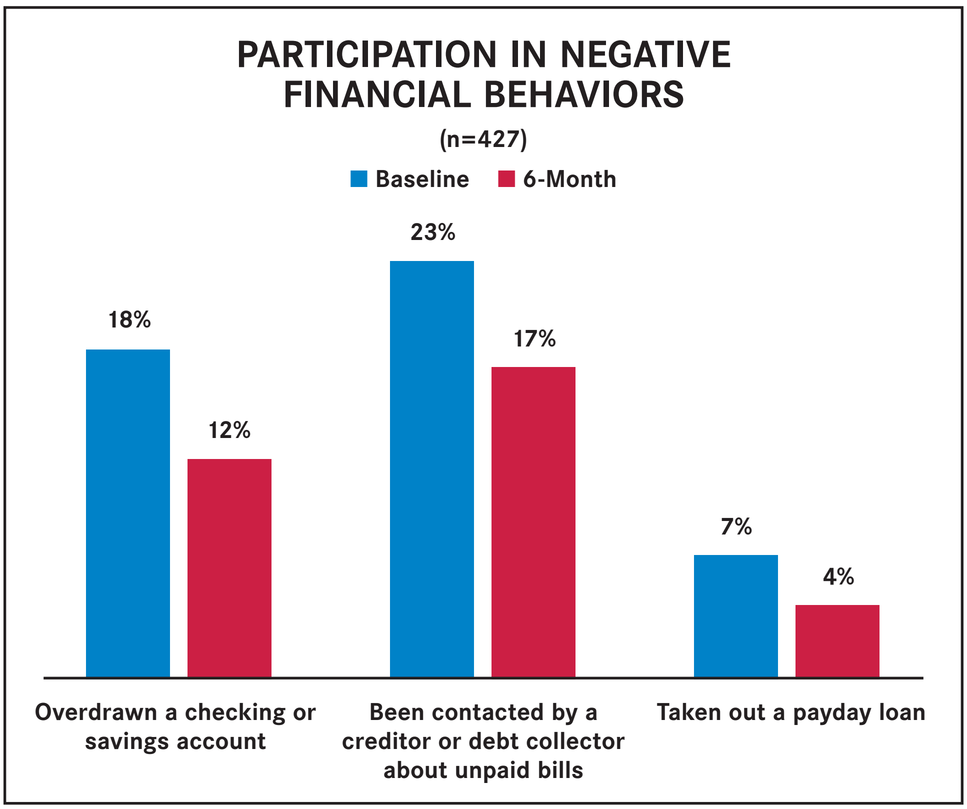


Key Findings

6-MONTH EVALUATION: INCREASE OF POSITIVE BEHAVIORS, DECREASE OF NEGATIVE BEHAVIORS

Financial behaviors of participants improved significantly in both positive financial behaviors and avoidance of negative financial behaviors. Participants showed net increases in many areas including: reducing spending and/or increasing earnings to try and keep budget in balance increasing by 22% (51% to 62%), prioritizing debt payment increasing by 23% (40% to 49%), deliberate action taken to reduce financial fees increasing by 29% (38% to 49%), and calculation of net worth increasing by 43% (28% to 40%). Many of the negative behaviors showed net declines from baseline to the 6-month interval. Notably, participants who reported having overdrawn on a checking account at baseline declined by 33% , being contacted by a creditor or debt collector declined by 26%, taking out payday loans declined by 43% , taking out cash advances on a credit card declined by 17% , and use of check cashing stores declined by 20%.

Question 4. In the past 3 months, have you done any of the following? Check one response for each item.



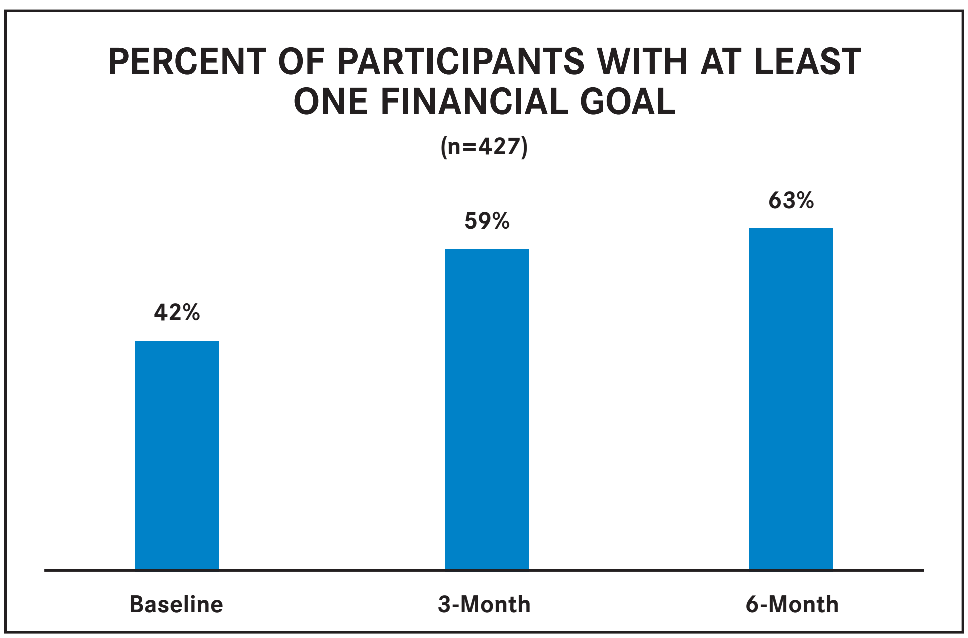
Key Findings

6-MONTH EVALUATION: OVERALL IMPROVEMENT IN SAVINGS AND DEBT MANAGEMENT

Behaviors and habits surrounding spending, savings, and debt also improved within the timeframe with greater allocations being made to savings and overall decrease of debt. Those participants who reported spending more than their income at baseline dropped by 33%, the overall percentage of participants saving the same or more compared to three months prior improved from 40% to 61%, and the group of participants reporting that they had less debt than they had three months prior improved by 47%. The percentage of participants who reported having at least one financial goal saw a net increase of 50% (increasing from 42% to 63% overall). Participants who deliberately cut back on spending to reach their goal increased by 175%.

Overall, the changes in participants' behaviors, mindset, savings, debt, and spending prior to taking the Finances 50+ training compared to 6-months later indicate a noteworthy accomplishment for the financial education field. Few studies have produced results that support the success of financial education to the extent that financial behaviors are improved so greatly after participating in the course.

Question 9. Do you currently have at least one financial goal? Check one response.



Implications for Policy and Practice

ADULTS 50+: NEEDS OF A GROWING DEMOGRAPHIC

The older adult population (defined as 65+ in Administration on Aging data) in the U.S. represented 12.9% of the total population in 2009, yet is expected to reach 19% of the population by the year 2030 (AOA, 2009). With this growing demographic arises the dire need to address problems that will therefore affect a large segment of the population's well-being. Financial security is one such need that contributes to many factors in a person's overall well-being including health, happiness, housing, and safety. Unfortunately, older adults, especially those with low-income, face a multitude of barriers when it comes to attaining financial stability in their later years. Death of a spouse, lack of financial education or planning, and insufficient savings at retirement are just some of the obstacles that contribute to the lack of retirement preparedness that many Americans face and which make financial security difficult (Lusardi, 2004).

IMPROVING FINANCIAL EDUCATION DESIGN FOR INCREASED EFFICACY

For populations over the age of 50, those who are more financially knowledgeable are also much more likely to have thought about and therefore taken steps to prepare for retirement (Lusardi, Mitchell, 2007). This then means that quality financial education programs, modeled similarly to the Finances 50+ program could mean a great improvement in financial health for those Americans advancing in age. Research supports that a lack of financial literacy can negatively impact one's ability to save; however, the remedy needs to go beyond financial education programs. In, fact the changing of behavior has not been correlated to education programs aimed directly to older adults, which makes the current AARP Foundation study that much more positive and encouraging for the field of financial literacy, particularly for the 50+ age group. Putting into practice education programs that successfully incorporate methods of proven behavior change, such as goal setting, action planning, incremental steps to financial objectives, ongoing motivation, use of accountability and commitment methods, and continuing support after completion of the training, could lead to greater success in instilling positive financial behaviors in older adults, which would be a step in the right direction towards a more financially secure 50+ population.

Future Research Recommendations

RESEARCH BEYOND SELF-REPORTING

The impact evaluation of the Finances 50+ financial capability program proved to be remarkably well-designed and executed. The inclusion of three waves of data, use of validated measures, and the large survey size of participants were all essential in capturing the valuable and meaningful findings that resulted. Yet, because this study proved so useful in its facility, the natural next step is to move beyond self-reported measures to gathering of actual balances, credit report items, investment data, and other verified financial indicators to satisfy a multi-modal approach to assessment of financial capability.

PURSUING LONG-TERM OUTCOMES

The 6-month, post-test evaluation of participants' ongoing financial behaviors and status was another strong characteristic of the study that compels even more rigorous research methodology. Longer-term follow up of participants' actual savings, debt reduction, and financial behaviors would give greater insight into the lasting effects of financial education and could provide more meaningful data on the ability of financial education to sustain more permanent financial stability.

FINANCIAL MANAGEMENT POST-RETIREMENT

Little research has been done on the aptitude and abilities of older adults who have reached the age of spending down their retirement savings. Focus on the preparation for reaching retirement and the savings associated with this milestone have overshadowed the need for support in this area. Many older Americans are increasingly facing the need to manage 401(k)s or various retirement account products requiring greater financial savvy as annuitized pensions become a rarer form of retirement savings. Studies that lead to greater clarity on the issues that older adults face when reaching retirement age, the support and guidance that is needed to ensure competent management of funds, and the habits and behaviors associated with retirement spending would be a valuable contribution to the field of financial capability training for people 50+.

THE EMERGENCE OF DEBT IN RETIREMENT

A fairly new development seeing a rise in the older adult population is the incidence of debt during retirement. In past generations adults reaching the point of retirement have traditionally been free of most debts, having reached a point of greater financial self-sufficiency and having had time to pay off debts that were more normally incurred at a younger age. With the rise of student loan debt (either incurred by the older adult themselves or their children), the decline in savings, growth in credit use as a form of income supplement or liquidity access, and the increasing rate of mortgage loan products that allow access and therefore sustained debt in home financing, older adults are commonly still facing large debt loads as they enter retirement. The need to understand the trend and therefore address the issues that this debt burden later in life creates calls for greater research in this area.

THE ROLE OF FAMILY: DEPENDENCE AND SUPPORT

Touched on briefly within the study, participants were asked to assess the incidence of reaching out for familial financial support. However, this subject requires deeper discussion and study to grasp all of the nuances and complicated support systems that frequently are tied to aging adults. Whether the older adult is providing financial support to grown children or vice versa, the intergenerational transmission of assets and supplemental income involves many unexplored factors worth investigation.

Conclusion

The Finances 50+ financial capability study has not only provided an excellent source of information and evidence to support the positive effects that financial education can have on financial behaviors, but it has delivered a new framework for the conversation surrounding older adults and their financial capability needs. Older Americans are not immune to the economic shocks and confusion surrounding the ever-changing financial marketplace and therefore these needs must be addressed through programs that reach older adults in an effective way. New tactics for addressing the financial needs of older adults, especially those with low-income, have emerged as the study shed light on successful approaches to instilling change in financial behaviors, imparting new confidence and increased skills through actionable goals, and providing continued guidance as a method for ongoing retention of positive habits. Application of the financial education model employed in this study can be replicated and tested on various targeted populations rendering this study significant on a larger scale than solely aging Americans. Therefore, as a whole the Finances 50+ study has contributed to the financial capability field and has provided optimistic results for the future of financial education.

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