Financial Distress Among American Workers
Final Report: 30 Million Workers in America—One in Four—Are Seriously Financially Distressed and Dissatisfied Causing Negative Impacts on Individuals, Families, and Employers[a]

E. Thomas Garman, Virginia Tech University[i]
Virginia W. Junk, University of Idaho[ii]
Jinhee Kim, University of Maryland[iii]
Barbara J. O'Neill, Rutgers University[iv]
Kathy Prochaska-Cue, Iowa State University[v]
Aimee D. Prawitz, Northern Illinois University[vi]
Frances C. Lawrence, Louisiana State University[vii]
Rui Yao, South Dakota State University[viii]
Robert O. Weagley, University of Missouri-Columbia[ix]
Robert L. Weisman, University of Rochester Medical Center[x]
Glenn Carnathan, Saint Thomas Health Services[xi]
Stacy Schaus, Hewitt Financial Services[xii]
Matthew D. Hutcheson, Matthew D. Hutcheson LLC[xiii]
David H. McKinley, McKinley Investment Group[xiv]
Marvin J. Brook, US Postal Service[xv]

All are available as press spokespersons

With contributions from other personal finance experts ***(also available as press spokespersons),*** including:[b] Michael McAuliffe, David C. Jones, Ray E. Noftsinger, Michael Schiano, David A. Lander, Bernice B. Wilson, Dennis Ackley, Steven S. Shagrin, Al Otto, Thomas R. Watson, Bill Keenan, Brooks Hamilton, David L. Ireland, Kelly L. Reese, and Blanchard D. Warren.

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"More and more families are running harder and harder to stay in the same place or to reduce the amount that they are falling behind."[1] In survey after survey, people say that they are financially distressed and dissatisfied with their personal finances. In this report, a national team of academic scholars and other experts conclude that 30 million workers in America—one in four—are seriously distressed and dissatisfied with their personal financial situations. Not only does this have negative consequences for the workers, their families and co-workers, and their employers, it also constitutes a serious social problem. The public and government need to recognize and internalize the sizeable nature of the financial distress problem as well as its ramifications, and take appropriate actions. This report pops the mythical bubble that urges people to ignore these problems or worse denies their existence for some perception of the "greater good."

[1] Lander, D. A. (2004). "It 'is' the best of times, it 'is' the worst of times": A short essay on consumer bankruptcy after the revolution. The American Bankruptcy Law Journal (78)2, 201-220 (quote page 209).

This definitive report is based on decades of research and it reports on reviews of over a dozen new research studies. This report takes data from 11 major business sponsored surveys, 10 of which were conducted 2004 by nationally known companies, such as MetLife, Principal Financial, American Express, Cigna, AARP, Caravan, Roper, and Gallup, as well as 10 recent published academic research studies and new not-yet-released national research findings to be presented on April 9, 2005 in Columbus, Ohio at the national conference of the American Council on Consumer Interests (ConsumerInterests.org).

Purposes of the Research

This research was undertaken: (1) to identify the scope and severity of the problem of worker financial distress; (2) to seek a developing consensus on the findings, and (3) to present the growing amount of evidence to motivate employers to help employees reduce financial distress. This report serves as the basis of a journal article that is in preparation.

Wide Consensus on Conclusions and Recommendations

The statistical data in this report are uncomplicated and easy to read. No one disputes the basic statistical facts offered in this report, although some may disagree with their interpretation. The five conclusions and four recommendations offered in this report are widely agreed upon.

Media Contact Information for Authors and Other Experts in Personal Finance

A number of leading academic scholars and businesspersons who are experts in personal finance have issued this unprecedented joint report on the levels of financial distress and dissatisfaction among workers in America. A number of other experts in personal finance have also agreed to serve as authoritative sources for the media, and their contact information follows as well as contact information for the co-authors.

One Appendix Summarizes Research And Another Lists Online Resources

There is general agreement on the conclusions described below and summarized in the Appendix of this report. The contents of the Appendix, *Summary of Research Findings on Financial Distress and Dissatisfaction,* are arranged as follows: Dissatisfaction with Financial Situation, Stress About Personal Finances, Living Paycheck-to-Paycheck, Stress About Retirement, Lack of Confidence About Ability to Manage Personal Finances, Health and Stress About Personal Finances are Related, and Distress About Health Care Costs and Bills. Another Appendix lists a list of federal government and non-profit organization online resources that can help users build wealth.

References

This report provides a listing of *References* that includes 170 research studies, reports and media stories, many of which are readily available on the Internet.

Conclusions

Although most working adults are satisfied with their personal finances and are not financially distressed, a substantial minority is having considerable trouble.

1. Thirty million workers—one in four—are suffering serious financial distress. This report takes data from 11 major business sponsored surveys conducted by nationally known companies, such as MetLife, Principal Financial, American Express, Cigna, AARP, Caravan, Roper, and Gallup, as well as 10 published academic research studies. Most of the research findings were reported within the past 12 months. A review of these studies concludes that 25% of working adults—that's one in four—are seriously financially distressed. This amounts to 30 million workers in America. They are experiencing more than moderate degrees of distress about their personal finances; rather they report high to overwhelming levels of financial distress. Furthermore, they report they are dissatisfied with their personal financial situations. Finally, research reveals that there are many negative consequences of financial distress upon individuals, their families and co-workers, and their employers.

2. People who are financially distressed are often living paycheck-by-paycheck with no money for extras. They are dissatisfied with their financial situation and struggle with money and debt and worry over bills. They usually are insecure about their personal finances for retirement. They worry they will not have enough money to live on once they retire. They often lack confidence about their ability to manage personal finances. Many do not even have hope that they might one day be able to catch up financially.

3. Poor health and financial distress are related. A large proportion of those who are financially distressed, 40% to 50%, report that their health is negatively impacted by their financial worries and problems. Those who are financially distressed often report they are experiencing a variety of unpleasant consequences of mental stress: poor health. They report disagreements with friends, family members and co-workers; restricted social life; and reduced job productivity. Also, they often report they are distressed about health care costs and medical bills. This distress can further unveil or aggravate a depressive or anxiety disorder. Such impairments can affect an employee's coping skills, attention and concentration ability to the point of decreased job attendance, reduced workplace performance and hamper job retention for employers. The relationship between poor health and serious financial distress suggests provocative clues that should be further investigated, particularly by the health care industry, employers, governments, and others involved in paying the costs for medical care.

4. Personal financial problems hurt workers' productivity. Thirty to 80% of financially distressed workers spend time at their place of employment worrying about personal finances and dealing with financial issues instead of working. These people often admit that their concerns about personal finances interfere with their work. They may take time from work to talk with co-workers about personal financial problems, communicate with creditors about past due payments, pay personal bills, balance a checkbook, or talk to a lender about a debt consolidation loan. They may pay bills while at work. Because of their financial distractions, they often report they are unable to carry out their normal responsibilities, have to cut down their workload, and are not able to accomplish as much as usual. This cycle further interrupts employee performance, workplace attendance and poses greater financial burdens compiling stress and financial pressures. Personal financial distress, therefore, negatively impacts employers.

5. Financial problems are not confined to lower income levels. Distress about financial matters is experienced at all income levels in society. It is partly a function of income, particularly among those earning less than an average income. While there is an inverse relationship between income and financial distress, other factors provide a more accurate explanation. The amount of consumer debt is a factor, especially among those with high debt-to-income ratios. Financial distress also is very much a function of lifestyle, predominantly among people who spend almost every dollar they earn or use credit so they can live beyond their means.

Varying Degrees of Financial Distress

"How much financial distress are we talking about?" A normative perspective on the varying degrees of financial distress can be illustrated with a 10-point scale with the higher numbers indicating increasing distress. See Table 1.

Table 1: Normative Labels for Levels of Financial Distress

1 -	Zero financial distress
2 -	Very low financial distress
3 -	Low or little financial distress
4 -	Minimal financial distress
5	Average financial distress
6-	Moderate financial distress
7-	High financial distress
8 -	Very high financial distress
9 -	Extremely high financial distress
10 -	Overwhelming financial distress

This report on financial distress is about adults experiencing "serious financial distress" in the 7-to-10-range as shown on the scale in Table 1.

Financial Distress Levels by Household Income

This report takes data from a variety of secondary and primary sources of data and uses deductive logic to determine that 25% of working adults are experiencing serious financial distress. Some studies (see appendix) have found that 60%, or more, adults are financially distressed. Reports of these higher levels may occur since when one working adult is financially distressed, it may well affect the heads of households, the spouses or unmarried partners, and other adults and children living at home although the latter are usually not surveyed.

Table 2 summarizes the research findings of financial distress experienced by different income groups. It shows the authors' estimates of the ranges of percentages of financial distress among the population according to level of household income. These conclusions are based upon a review of more than two-dozen studies cited in the appendix. Note in the table that for all income groups the estimated range of financially distressed employees is 25% to 60%. The highest percentages of financially distressed adults are more frequently found among those with lower household incomes. However, people in all income groups experience serious financial distress because income alone is not the single determinant that influences whether or not people experience financial distress.

According to the Current Population Survey of the Bureau of Labor Statistics and U.S. Census Bureau data, it is estimated that there are 120 to 137 million adults in the workforce (full and part-time) in the United States. The 25% means 30 million people are seriously financially distressed. (This calculation uses the conservative workforce estimate [0.25 X 120M], otherwise the number is 34 million [0.25 X 137M].) This is a considerable portion of the U.S. adult population, comprising one in four working adults.

Table 2 - Financial Distress Levels by Household Income

Household Income	Range of Levels of Financial Distress
Less than $14,999	80% to 90%
$15,000 - $24,999	70% to 80%
$25,000 - $34,999	50% to 60%
$35,000 - $49,999	30% to 60%
$50,000 - $74,999	30% to 50%
$75,000 - $99,000	20% to 30%
$100,000+	9% to 25%
All income groups combined	25% to 60%

The authors of this report make note of Federal Reserve Chairman Alan Greenspan's observation in February 2004 that "much of the apparent increase in the household sector's debt ratios over the past decade reflects factors that do not suggest increasing household financial stress" (Source at http://www.federalreserve.gov/boarddocs/speeches/2004/20040223/default.htm).

This report comments that financial distress comes from overuse of credit as well as money and spending problems. Furthermore, 30 million workers are seriously distressed about their personal financial problems.

How can we help this situation if society has not acknowledged there's a problem? Governments and employers need to recognize, understand and internalize the sizeable nature of the financial distress problem among workers as well as its ramifications, and take appropriate actions. The broader question is what can be done to address the situation?

Recommendations for the Financially Distressed

This report offers four recommendations.

1. Follow the wise saying to "spend less than you earn." Those who succeed financially set goals, live below their means, take on new borrowing cautiously, pay off credit card debts monthly, and save and invest for the future.[2] Choosing to live below one's means and saving and investing the difference, particularly when compared to those who spend all and often more than they earn, is a key to how people succeed financially.

2. Make and implement plans to prevent poor money management and reduce financial distress. Consumers need to plan ahead, spend less than they earn, distinguish between needs and wants, be more practical and realistic in making purchases, and comparison-shop. Tracking one's expenses for a month by writing them down will reveal that some extra money would be available if it were not spent on non-essential wants, in contrast to needs. Consumers need to make more smart financial decisions by paying down debt, building a cash reserve, increasing savings, investing for retirement, and reordering their expectations and financial priorities where appropriate. This is accomplished by consciously making tradeoffs between spending on today's wants for a more financially secure future.

3. Determine the best options to relieve financial distress. Eight options are available for people who are distressed about their personal finances: (1) evaluate your financial situation to identify where to cut back on expenses, (2) increase income, (3) target and pay down high-interest debt; (4) obtain a debt-consolidation or home-equity loan and use the proceeds to repay creditors only after learning to monitor expenses; (5) renegotiate credit repayment terms with creditors, (6) return secured assets to creditors; (7) seek budgeting and credit management assistance from a non-profit credit counseling agency, and (8) contact an attorney regarding the possibility of an unsecured debt settlement solution or declaring bankruptcy.

4. Get help through the workplace. Seeking help from one's employer is an option for many financially distressed individuals. Federal Reserve Board Governor Edward M. Gramlich remarked that employers should make financial education for their employees a lifetime responsibility."[3] Other experts observe that "Comprehensive

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[2] Howard, C. (2001). Get Clark Smart. Hyperior: New York.

[3] Gramlich, E. M. (2004, May 20). Workplace financial education: Remarks by Governor Edward M. Gramlich. Speech to the second meeting of the Financial Literacy and Education Commission, Washington, DC. Taken on May 20, 2004 at http://www.federalreserve.gov/boarddocs/speeches/2004/20040520/default.htm.

financial education programs in the workplace provide a wide range of curricula that can better inform and prepare workers to handle their financial challenges, whatever they may be. These programs can go a long way toward helping allay financial stress and improving attitudes, morale and productivity.[4]" More than half of mid and large employers say they provide employee financial education because "it improves their productivity by reducing financial stress."[5] Interested employees should ask their employer about financial education programs offered at the workplace, such as those provided by an independent financial education company, union, credit union, and/or a credit counseling agency.

Endnotes

[1]Please reference this report in the following manner: Garman, E.T., Junk, V.W., Kim, J., O'Neill, B.J., Prochaska-Cue, K., Prawitz, A.D., Lawrence, F.C., Yao, R., Weagley, R.O., Weisman, R.L., Carnathan, G., Schaus, S., Hutcheson, M.D., McKinley, D.H., Brook, M.J. (2005, March 22). Financial Stress Among American Workers, Final report: 30 million workers in America—One in four—Are seriously financially distressed and dissatisfied causing negative impacts on individuals, families and employers.

Media Contact Information for Report Co-Authors

[i] **E. Thomas Garman,** Author, Researcher and Advisor; Fellow and Professor Emeritus, Virginia Tech University, 8044 Rural Retreat Court, Orlando, FL 32819, USA; Tele: 407-363-9048; E-mail: tgarman@bellsouth.net; Dr. Garman directed Virginia Tech's National Institute for Personal Finance Employee Education and directed several award-winning research studies. He has written many research articles and over 30 books, including
Personal Finance and *Consumer Economic Issues in America.*

[ii] **Virginia W. Junk,** Ph.D., Professor, University of Idaho, FCS 3183, Moscow, ID 83844-3183; Tele: 208-885-7264; E-mail: vjunk@uidaho.edu. Junk researches decision making in retirement financial planning and in housing of those age 40 and older, as well as "sandwich generation" issues relating to financial, time and stress management. She teaches personal finance, and is author of 40 publications, including textbook supplements.

[iii] **Jinhee Kim,** Ph.D., Assistant Professor and Extension Specialist, University of Maryland, 1204 Mary Mount Hall, College Park, MD 20742-7515; Tele: 301-405-3500; Email: jinkim@umd.edu. Kim has conducted award-winning research on employee financial well-being. She researches financially distressed consumers, financial management behaviors, absenteeism, and job outcomes.

[iv] **Barbara O'Neill,** Ph.D., CFP®, CRPC, AFC, CHC, CFCS, Extension Specialist in Financial Resource Management, Professor II, Rutgers Cooperative Extension, Cook College Office Building, Room 107, 55 Dudley Road, New Brunswick, NJ 08901, USA; Tele: 732-932-9155, X250; Cell: 973-903-7869; Fax: 732-932-8887; E-mail: oneill@aesop.rutgers.edu; Web: www.rce.rutgers.edu/money2000 and www.investing.rutgers.edu. O'Neill has taught personal

[4] Field, R., & Vogt, V.A. (2004, April 1). Employee financial stress & investment advice needs. American Express Retirement Services. Quote page 16.
[5] The role that financial education companies play in participant behavior in 401(k) plans (2004, November). Ernst & Young LLP Human Capital Practice, 13.

finance topics to over 24,000 consumers and written over 1,500 newspaper articles. She is the author of *Investing On A Shoestring* and *Saving On A Shoestring* and co-author of *Money Talk: A Financial Guide For Women*. O'Neill researches relationships between financial well-being and health.

[v] **Kathy Prochaska-Cue,** Associate Professor, University of Nebraska-Lincoln, 137 Mabel Lee Hall, Lincoln NE 68588; Tele: 402-472-5517; E-mail: kprochaska-cue1@unl.edu. An extension family economics educator, Prochaska-Cue has worked with thousands of families one-on-one as a financial counselor, and authored numerous research and financial education publications.

[vi] **Aimee D. Prawitz,** Associate Professor, School of Family, Consumer, & Nutrition Sciences, Northern Illinois University, DeKalb, IL 60115; Tele; 815-753-6344; E-mail: aprawitz@niu.edu. Prawitz teaches graduate research methods courses, serves as a member of the editorial board of the *Journal of Consumer Affairs*, and she is the editor of the *Journal of Consumer Education*. Prawitz researches consumer satisfaction with elderly American's housing choices, attitudes toward credit cards, consumer complaint processes, and financial distress.

[vii] **Frances C. Lawrence,** Williams Alumni Professor, Louisiana State University, School of Human Ecology, Baton Rouge, LA 70803; Tele: 225-578-1726; E-mail: flawrence@lsu.edu. Lawrence teaches university finance and consumer economics courses at Louisiana State University. Her research related to poverty and college students' money management is nationally recognized.

[viii] **Rui Yao,** Ph.D., Assistant Professor, South Dakota State University, Box 2275A, Brookings, SD 57007; Tele: 605-688-5009.Yao teaches financial planning and consumer affairs and has conducted research on retirement adequacy.

[ix] **Robert O. Weagley,** Chair of the Department of Consumer and Family Economics at the University of Missouri - Columbia., University of Missouri; Tele: 573.882-9651; E-mail: weagleyr@missouri.edu. Weagley is a registered investment advisor with Sundvold Capital Management, LLC (www.sundvold.com), an asset management and retirement plan specialty firm. He is Vice President of Marketing and Public Relations for the *Academy of Financial Services.*

[x] **Robert L. Weisman,** D.O., Associate Professor, Department of Psychiatry, University of Rochester Medical Center; Strong Ties, 2613 West Henrietta Road, Rochester, NY 14623; Tele: 585-275-0300; E-mail: Robert_Weisman@urmc.rochester.edu. Dr. Weisman has written and lectured on the impact of personal financial stress, depression and workplace performance.

[xi] **Glenn Carnathan, Jr.,** Senior Vice President & Chief Human Resources Officer, Saint Thomas Health Services, 618 Church Street, Suite 520, Nashville, TN 37219; Phone: 615-284-6847; E-mail: gcarnath@stthomas.org; Web: www.sths.com. Carnathan is the national leader of a system-wide financial well-being initiative for Ascension Health, Saint Thomas' parent and the largest not-for-profit health system in the United States with over 100,000 employees. Recipient of 2004 HR Excellence Award (based on Malcolm Baldrige National Quality Award criteria) sponsored by the Nashville Area Chamber of Commerce.

[xii] **Stacy Schaus,** CFP®, Founder, Hewitt Financial Services, Hewitt Associates LLC, Personal Finance Center, 100 Half Day Road, Lincolnshire, IL 60069; Tele: 847-442- 4698; E-mail: stacy.schaus@hewitt.com; Web: www.hewitt.com. Schaus developed the Defined Contribution Alliance™ with investment managers across the country and also built the investment consulting team to support this program. She is an investment-issues committee member with the Profit Sharing Council of America. Schaus has written a number of articles on investing, defined contribution trends, and personal finance issues,

has been quoted in major publications, and has appeared as a guest on financial shows aired by CNBC and CNN*fn*.

[xiii] **Matthew D. Hutcheson,** M.S., CPC, AIFA®, CRC, MPF®, Owner/CEO, Matthew D. Hutcheson, LLC, 15924 Quarry Road, Lake Oswego, Oregon 97035, USA; Tele: 503-968-9783; E-mail: matt@erisa-fiduciary.com. Hutcheson is an Independent Pension Fiduciary who serves as named fiduciary or committee member for corporations on the NYSE, NASDAQ and the Toronto Stock Exchanges. He also serves as fiduciary or consultant conducting fiduciary audits, reviews and fee studies for privately held employers. Hutcheson is co-founder and Secretary/Treasurer of the ERISA Fiduciary Guild.

[xiv] **David H. McKinley**, Managing Director, McKinley Investment Group, 2000 Main Street, Wheeling, WV 26003, USA; Tele: 304-230-2400; E-mail: dmckinley@wachoviafinet.com; Web: www.mckinley.wbsec.com; Mr. McKinley has worked in the financial planning and investment management industry since 1990. Prior to forming the McKinley Investment Group, Mr. McKinley was vice president of investments at a national investment firm, an investment analyst with a regional bank and trust’s investment department, and assisted in managing the brokerage division of the same firm. He is quite knowledgeable on the topic of financial distressed employees.

[xv] **Marvin J. Brook,** Manager/Controller Finance, San Francisco Performance Cluster, Northern California Division, United States Postal Service, P.O box 884474, San Francisco, CA 94188-4474; Tele: 415-550-5439; E-mail: marvin.j.brook@usps.gov. Brook develops and delivers financial education programs, including newsletters, videos and workshop presentations. Brook has seen first hand the positive effects on employees when their financial situations improve.

Media Contact Information for Other Personal Finance Experts Wanting to Comment on These Research Findings

[b] **Michael McAuliffe,** President and CEO, Family Credit Counseling Service, 4306 Charles Street, Rockford, IL 61108; Tele: 800-994-3328, X-128; E-mail: michael.mcauliffe@familycredit.org; Web: www.familycredit.org/. Michael McAuliffe is a noted expert on personal financial planning and consumer debt and co-founder of Family Credit Counseling Service. He has assisted thousands of individuals and families with credit, debt, and money management problems. Dismayed that most credit counselors would remove the tithe from the budget of those in need, he formed a Non-Profit credit counseling agency based on Biblical teaching. He has contributed to numerous print publications and broadcast outlets. Family Credit Counseling sponsored a national poll on financial distress in December 2004.

[b] **David C. Jones,** Ph.D., President, Association of Independent Consumer Credit Counseling Agencies, 11350 Random Hills Road, Suite 800, Fairfax, VA 22030; Tele: 703-934-6118; E-mail: assoc@aiccca.org; Web: aiccca.org. Jones recently retired as President and CEO of a major national credit counseling and consumer education agency. He concentrates his efforts in support of the credit counseling industry, especially consumer education initiatives, and actively assists in the development of effective state and federal consumer protection regulations for the credit counseling industry.

[b] **Liz Davidson,** CEO and Founder, Financial Finesse, 111 N. Sepulveda Boulevard, Suite 305, Manhattan Beach, CA 90266; Tele: 310-802-6855 or 866-733-2677, x355; E-Mail: media@financialfinesse.com; Web: www.financialfinesse.com/ffinesse/jsp/home.jsp. Davidson founded Financial Finesse in 1999 to address the need for unbiased financial resources for investors to educate themselves on investing and financial planning. Today, Financial Finesse provides unbiased full service financial education for over 350 organizations and their employees. She is passionate about financial education and is a prolific public speaker, and she has been invited to speak at the leading Human Resources and Benefits conferences across the country.

[b] **Ray E. Noftsinger**, Founder of Harbour Credit Counseling Services, Inc; Financial and Estate Planner, 101 N. Lynnhaven Road, #300, Virginia Beach, VA 23452; Tele: 757-340-2564, x302; E-mail: rayn@40debts.org; Web: www.40debts.org. Noftsinger has been involved in financial planning for all income levels in various specialties. He started Harbour in 1996 with one client and his organization currently assists 15,000 families in elimination of unsecured personal debt. Former President and Board Member Association of Independent Consumer Credit Counseling Agencies. Testified at Department of Justice hearing regarding credit counseling capacity for pre-bankruptcy certification and education.

[b] **Michael Schiano**, Vice President of Outreach, InCharge Education Foundation, 2121 Park Center Drive, Orlando, FL 32835; Tele: 407-532-5640; E-mail: mschiano@incharge.org; Web: InChargeFoundation.org. Schiano is a Certified Credit Counselor and author of *Spend Your Way to Wealth.* He writes the "Ask The DebtBuster" column for *Military Money* and *Young Money* magazines. He hosts a nationally syndicated financial improvement radio show heard across the U.S. each day, and he hosts *The Military Money Minute* broadcast worldwide on the Armed Forces Radio Network.

[b] **David A. Lander,** Attorney, Thomson Coburn LLP, One US Bank Plaza, St. Louis, MO 63101; Tele: 314-552-6067; E-mail: DLANDER@thompsoncoburn.com. Lander's practice includes representation of secured creditors, mortgagees, unsecured creditors, and debtors and unsecured

creditors' committees. Lander is the historian of the credit counseling industry and a student and teacher of consumer credit issues.

[b] **Benice B. Wilson,** Ph.D., CFCS. Extension Resource Management Specialist, Alabama Cooperative Extension System, P.O. Box 967, Normal, AL 35762; E-Mail: bbwilson@aces.edu; Tele: 256-372-4969. Wilson develops, implements and evaluates educational projects and programs relative to family and consumer economics, and resource management for families, individuals, youth, and the general public with a focus on urban and nontraditional audiences.

[b] **Dennis Ackley,** President, Ackley Associates, 612 SE Cumberland Drive, Lees Summit, MO 64063; Tele: 816-695-4808; E-mail: dennisackley@hotmail.com; Web: DennisAckley.com. Ackley has been writing and speaking for more than a dozen years about how the current approach to retirement education does not and cannot work because it ignores essential elements needed to help adults become personally motivated to learn how to define, pursue, and achieve their personal retirement dream. In addition, until retirement education providers are required to have meaningful success measures that are tied directly to the individual's success, more Americans are doomed to fail to achieve their retirement income needs.

[b] **Steven S. Shagrin,** JD, CFP®, CRPC®, CRC®, CELP, President, Planning For Life, 4657 Logangate Road, Youngstown, OH 44505-1713; Tele: 330-727-0444/888-456-4777; E-mail: Shags@PlanningForLife.info; Web: www.PlanningForLife.info. Shagrin is past president of the International Society for Retirement & Life Planning. Editor of *Facts About Retiring in the United States* (2001, HW Wilson Co.), and author of forthcoming *Managing My Life: Managing My Money*, (2005, Publications for Heart and Spirit Inc.)

[b] **Al Otto,** AIF®, Co-Founder, White Horse Advisors, LLC, 6151 Powers Ferry Road, Suite 400, Atlanta, GA 30339; Tele: 678.322.3020; E-mail: al.otto@whitehorseadvisors.com; Web: www.whitehorseadvisors.com. Otto is a leader in the retirement planning industry and an expert on fees in retirement plans. He has contributed writings and been quoted in publications such as *Plan Sponsor Magazine*, *Employee Benefit News* and *Employee Benefit Plan Review*. Otto recently completed an audio CD entitled "*Lost Money In Your Retirement Plan*."

[b] **Thomas R. Watson,** President/CEO, Watson Communications International, Inc., 1809 NW Loop 281, Suite 100-160, Longview, TX 75604, USA; Tele: 903-758-0855; E-mail: tom@watson-training.com; Web: www.watson-training.com. Dr. Watson is the author of the soon to be published, *The Great American Debt Opportunity: Turning Debt into Wealth.*

[b] **Bill Keenan,** Author, Financial Coach and Radio Host, 1129 Emerson Court, Suite B, Burnsville, MN 55337; Tele: 952-200-9019; E-mail: billk@debtfreeroad.com; Web: www.debtfreeroad.com. As the author of *Spend Smart, Creating Wealth with no Room in your Budget*, the co-author of *Invest in Your Debt* and host of *Financial Fitness* he has helped thousands of families discover how to achieve financial freedom by first becoming debt free.

[b] **David L. Ireland,** Author and Professional Speaker; Retired Eastman Kodak executive, founder and President of Invest In Your Debt, Inc., 8005 Evadean Circle, Austin, Texas 78745; Tele: 512-447-1990; E-Mail: IYD@InvestinyourDebt.com; Web: www.InvestinyourDebt.com. Ireland's *Invest in Your Debt* book shows that the most effective way to achieve financial freedom is to invest in ones debt and receive a risk-free, tax-free, double-digit return on ones debt investment. He lectures to employees in corporations, students at colleges and people in churches on the perils of and solutions to personal debt.

[b] **Brooks Hamilton,** JD, Attorney-at-Law and a Master Pension Fiduciary, Brooks Hamilton & Partners, 38 Vista Hermosa, Santa Fe, NM 87506; Tele: 972-839-5260; E-mail: bhamilton@brookshamilton.com; Web: www.brookshamilton.com. Hamilton is Co-founder The

REVERE Coalition, and co-founder and President of the ERISA Fiduciary Guild. Hamilton continues to be appointed as Independent Fiduciary by federal courts to assume fiduciary responsibility for retirement plans whose fiduciaries have failed in their responsibilities. Has appeared on CBS Evening News, CNBC, and in many newspapers throughout the country.

[b] **Kelly L. Reese,** ChFC®, President, Financial Freedom Society, Inc., 14906 Winding Creek Court, Building A, Tampa, FL 33613; Tele: 813-960-3131; E-mail: elder@ffsi.com. Reese is a Christian Stewardship Counselor and author of *The Art of Achieving Financial Freedom.* He serves as a member of the board of the Christian Counseling Foundation.

[b] **Blanchard D. Warren,** Seminar Leader and owner of Debts To Wealth, 5A Johns Avenue, Medfield, MA 02052; Tele: 508-359-4769; E-mail: webmaster@debtstowealth.com; Web: www.debtstowealth.com. Warren teaches a three-hour seminar about a system to eliminate all debt.

Appendix:
Summary of Research Findings on Financial Distress and Dissatisfaction

The contents of this Appendix are arranged as follows: Dissatisfaction with Financial Situation, Stress About Personal Finances, Living Paycheck-to-Paycheck, Stress About Retirement, Lack of Confidence About Ability to Manage Personal Finances, Health and Stress About Personal Finances are Related, and Distress About Health Care Costs and Bills.

Dissatisfaction with Financial Situation

- Bankrate.com Study. Bankrate.com (2003) conducted a Financial Literacy Study and found that 28% of people reported a lack of satisfaction with their finances. Sixteen percent of those surveyed were "not satisfied at all" with their personal financial situation and 12% were "not too satisfied." Describing their feelings when dealing with their personal finances, 24% in the Bankrate.com study reported they were "frustrated" and 10% were "confused." Asked how regularly they keep an emergency fund of at least 3 months' living expenses, 29% said they rarely or never did. Thirty-seven percent agreed with the statement that they could not afford to put money away for an emergency, with 55% saying they were very or somewhat concerned about an emergency fund. A quarter (24%) agreed with the statement that they would not be able to stick to a budget if they had one. Thirty percent reported they were very concerned or somewhat concerned right now that they are not able to pay their mortgage or rent, 29% were similarly concerned about being able to pay their credit card bills, and 45% were concerned about being able to put away enough for their retirement.
- The semi-annual Principal Financial Well-Being Index^{sm} (The Principal, 2004; Principal Financial Well-Being, 2004) of American workers (at firms with 10-1,000 employees) reveals that, using a 5-point scale, 3 out of 4 employees (78%) are very concerned about their long-term financial future. Only 26% agreed with the statement "I am extremely happy about my current financial well-being;" 24% were neutral and 50% disagreed. A 2003 Principal study (Principal, 2003) found that half of those who expected a tax refund from the IRS planned to use the money to pay down short-term debt.
- In a study of over 16,000 employees who lived in eight geographic regions of the United States employed by a large insurance company (Hira & Itote, 2001), there were substantial numbers of people who were dissatisfied with various aspects of their personal finances. Those reporting being very dissatisfied or dissatisfied on the following satisfaction indicators: ability to get ahead - 25.6%; use of money – 22.3%; long-term financial goals – 29.7%; meeting unexpected expenses – 34.5%; and unpaid balances on credit cards – 41.3%.
- A number of studies that collected data from various segments of the population found that between 21.3 and 52.6% of respondents describe themselves as "dissatisfied" with their present financial situation. The respondents marked

choices 1 through 4 on a 10-point stair-step scale of satisfaction with one's present financial situation. Those who are satisfied were instructed to mark the higher steps, choices 6 through 10. Those who marked choices 4 and 5 were in the middle range of satisfaction.

- Grable & Joo (2003) found 34.7% of faculty and staff working for two universities in two mid-western states were dissatisfied.
- Kim (2000) found that 41.5% of white-collar workers in three mid-western states were dissatisfied.
- Kratzer, Brunson, Kim, Garman, & Joo (1998) study of well-paid blue-collar manufacturing workers in the south found 21.3% were dissatisfied with their financial situation.
- Kim, Bagwell & Garman (1998) found white-collar workers in the corporate headquarters of a New York City advertising firm had a mean score of 5.7 on a 10-point scale where 10 is the highest level of financial satisfaction.
- Joo (1998) found 52.6% of clerical workers in an eastern state were dissatisfied.
- A 1990 study (Porter; Porter & Garman, 1993) of a random sample of taxpayers in an eastern state using a scale similar to Joo (1998) but with 11-points (highest score was best) found that 30.8% marked themselves as dissatisfied marking choices 1 through 5) with their personal financial situation. The mean was 6.5, showing a slight skewness toward positive perceived financial well-being, with a standard deviation of 2.2.
- A 2004 study by the InCharge Education Foundation (Sorhaindo & Garman, 2005) found that 28% of a nationally representative sample of working adults reported their overall financial distress/financial well-being was below average. This finding is consistent with other studies on financial satisfaction/dissatisfaction, financial distress and financial well-being. The general population typically reports a slight skewness towards positive scores, or above average, when asked about their financial condition. In other words, on a 10-point scale people typically report average scores of 5.7, 5.9, 6.2, or slightly higher where 10 is the highest or best score. Most working adults are satisfied with the personal finances and are not financially dissatisfied or distressed.

- Credit counseling clients are one of the most clear-cut populations of financially dissatisfied consumers. These are people who contact a non-profit credit counseling organization seeking assistance and advice in budgeting, credit and money management. Subjective measures, like a 10-point stair-step scale of satisfaction with one's present financial situation are often utilized in research (Festinger, 1957; Garman, 1999; Garman, Camp, Kim, Bagwell, Baffi, & Redican, 1999; Kim, 2000; Kim, Bagwell, & Garman, 1998; Kim, 2000; Kim, Garman & Sorhaindo, 2003; Porter, 1990; Winter & Morris, 1983). Self-reported numbers of these clients show that 75% to 90% expressed some high degree of financial dissatisfaction and distress owing to their personal financial affairs

(Garman et al, 1999; Garman, 2001). This level of financial dissatisfaction and distress is much higher than in the general population.

- Garman (2004b) estimates that approximately 3 million people annually (not 9 million as cited in Schmitt, Timmons, and Cady in 2001) contact a non-profit consumer credit counseling service seeking assistance with their budgeting, money and credit problems. Over a six-year time period that amounts to 18 million financially troubled consumers who contacted a credit counseling agency.[6]
- Since financial dissatisfaction does not go away for many of those who contact a consumer credit counseling agency, the authors of this report estimate that it is likely that approximately one-third of those who sought assistance from a credit counseling during the last six years are still struggling financially. Thus, we calculate that 33% of the 18 million financially dissatisfied and distressed who contacted a credit counseling agency in the past six years, or 6 million people, currently remain seriously dissatisfied with their personal financial situation.
- Bankruptcy represents another substantial group of financially dissatisfied adults. For the calendar year of 2004, about 1.5 million (1,563,145) consumers filed for personal bankruptcy (Bankruptcy Statistics, 2005). Sullivan (2003) notes that the genuine annual bankruptcy figures are really much higher because of jointly filed bankruptcy petitioners. Bankruptcy expert Elizabeth Warren agrees (Garman, 2005, March 17). Based on the 1,563,145 filings in 2004, Warren notes that there were 475,712 cases of joint petitions. That means, notes Warren, that the 2004 multiplier is about 1.304. (In 2001, the multiplier was 1.319 [see Warren, Thorne, & Sullivan, 2001].) Using Warren's multiplier of 1.304 for the number of married couples filing for bankruptcy, the number of adults impacted by bankruptcy in 2004 was 2,038,341 (1.304 X 1,563,145). These experts also observe that bankruptcies really affect a total of about 5 million people annually in households when one counts both the petitioners' spouses as well as their children.
- Combining data from the American Bankruptcy Institute and previous annual data (Quarterly U.S. Bankruptcy Statistics, 2005) show that there have been 8,678,826 non-business, or personal, bankruptcies for the six-year period between 1999 and 2004. Since consumers cannot declare bankruptcy again for six years, these numbers are mutually exclusive. Applying Warren's proportional estimate of bankruptcies with spouses (1.304) means that over 11 million (11,317,189 = 1.304 X 8,678,826) adults declared bankruptcy during the past six years. Next year more than a million consumers (1,281,360) who declared bankruptcy six years ago in 1990 will be eligible again, and that point has been observed by others (Bankruptcy boomerang, 2003).
- Since financial dissatisfaction just does not simply disappear for many of those who file bankruptcy, the authors of this report estimate that it is likely that approximately 50% of those who filed for bankruptcy during the last six years are

[6] Fewer than 10% of credit counseling clients declare personal bankruptcy (Elliehasuen, Lundquist, & Staten, 2003; Staten, Elliehausen, & Lundquist, 2002).

still struggling financially and are dissatisfied with their personal financial situations. Thus, we calculate that half of the 11,317,189 adults who filed for bankruptcy in the past six years, or 5.6 million people (11,317,189/0.5), currently remain seriously financially dissatisfied.

Stress About Personal Finances

- An American Express survey found that 60% of working Americans were experiencing moderate (41%) to high (19%) levels of financial stress. Thirty-nine percent were stressed by dealing with debts and 38% were stressed by paying regular bills (2nd American Express, 2004; Field & Vogt, 2004). The stress levels by income groups were: 30% of people with incomes up to $30,000; 22% $30,000-$50,000; 22% $50,000-$75,000; 17% $75,000-$100,000; and 9% of those with incomes of $100,000 or more.
- In a MetLife Study of Employee Benefit Trends (2003), 69% of employees surveyed were concerned with "having enough money to make ends meet."
- A Roper ASW survey for *Money* magazine found that 6 in 10 respondents say they worry a lot or sometimes about their finances, about twice as many as worry about their self-esteem, jobs, marriage, and friendships (Chatzky, 2003).
- A Caravan Saray poll (2004) found nearly three in four adults age 18-64 (72%) say paying current bills (54%) or paying off debt (18%) are usually their main financial concerns each month.
- A Consumer Federation of America and Credit Union National Association poll (Consumers say, 2003) found 46% of adults said they were concerned about meeting all their monthly payments on all types of debt other than their mortgage, and half of those, 28%, reported they were very concerned. When asked what they would do with a $5,000 windfall, 46% said they would pay down some debt.
- A Family Credit Counseling Service national survey (Research Report: Financial Stress Survey, 2004; Kidd, 2005) of people carrying credit cards asked what they would do with an unexpected $1,000 gift, and three-quarters (73.3%) said they would use it to pay down debt.
- Fifty percent of middle-income Americans ($25,000 to $75,000) revealed they were worried about their financial condition, according to a poll by Consumer Federation of America (Middle Americans become, 2003). More than two-thirds (69%) of those with incomes under $25,000 reported they were worried about their finances, and they are likely to have too little savings and too little income.
- A ComPsych survey (Reality of financial trouble, 2004) of employees' financial health found half (49%) doing poorly: 27% noted "I am one major setback away from financial disaster" and 22% marked "I am worse off than last year, with less savings/income and more debt than before." The remaining half (51%) reported they were the same or better off than before: "I am about

the same as last year, with no changes in savings/income or debt" (23%); "I am better off than last year, with more savings/income and less debt that before" (22%); and "I am in the best financial shape ever, with bountiful reserves and very little debt" (6%).

- A ComPsych survey of employees found that personal finances cause stress in 36% of employees (ComPsych's Tell-It-Now, 2001).
- Financial Finesse, a financial education company with approximately 300 different companies as clients and 250,000 employees, regularly received telephone calls from employees seeking assistance. Thirty-nine percent of callers requested assistance with consumer debts and 17% called about budgeting and savings (Garman, 2005, March 22). These numbers were similar to the previous year (Debt, retirement, 2003).
- A Gallup Organization poll (Moore, 2004) found that 17% of Americans are very or moderately worried about paying the minimum amount due on their credit cards. Twenty-two percent were not too worried, and 46% were not worried at all.
- A Family Credit Counseling Service national survey (Research Report: Financial Stress Survey, 2004) found that the biggest financial fear of people carrying credit cards was that they'll never get out of debt (32.5%).
- A WoldWIT and E-Duction survey of 10,000 professional women, it was found that 90% of women who pay more than five bills while at work are moderately or considerably stressed about personal finances (People who pay, 2003).
- Twenty-seven percent of respondents to a *Los Angeles Times* survey reported that their personal finances were shaky, and 40% said they had difficulty making car and insurance payments and other installment loans (Atkinson, 2001).
- Employees who are financially distressed sometimes bring their financial troubles to the workplace with the result being reduced productivity. Researchers have determined that approximately15% of workers are so financially distressed that it negatively impacts the employer's bottom line (Garman, Leech & Grable, 1996). The full extent of the costs is unknown.

Living Paycheck-to-Paycheck

- The MetLife Study of Employee Benefit Trends (2004) found that 28% of full-time employees report they sometimes have trouble paying their monthly bills, and 42% say they live paycheck to paycheck. The parallel 2003 MetLife Study of Employee Benefit Trends (2003) found that 52% of employees surveyed report they manage their finances by living paycheck-to-paycheck. Among those with a household income of less than $30,000, 87% say they live paycheck-to-paycheck and 65% of those earning $30,000 to $49,999 say the same. Among people who earn $75,000 or more a year, 34% live on the edge financially (Yip, 2003). More 21- to 30-year-olds than 41 to 50-year-olds live paycheck to paycheck; however, 51% of those nearing or in the traditional retirement age range of 61 to 69 do, too.

- In a CIGNA survey (2004), 39% of employees feel they are "underwater" financially, stating that they can barely keep up with bills. As a result of these bills, many people reported they had little discretionary income to save for college or retirement. More than two-thirds (68%) of parents with children under age 18 are extremely or very concerned about having enough money for their children's education.
- A Caravan poll found that nearly three in four adults age 18-64 (72%) said paying current bills (54%) or paying off debt (18%) were usually their main financial concerns each month (Caravan Saray, 2003). Women (78%) were more likely than men (65%) to be focused on paying current bills or debts.
- In a study of 16,000 employees working for a large insurance company who lived in eight geographic regions of the United States (Hira & Itote, 2001), over half (55.9%) reported that they handled large or unexpected expenses by using credit cards. Other coping mechanisms were borrowing from family or friends (16.4%) or not paying other bills (17.9%).
- Data on living paycheck-to-paycheck go back a few years. A revealing question on a 1996 poll reported by *The Washington Post* (Chandler & Morin, 1996) found that 75% of Americans recently faced at least one significant financial problem (e.g., unable to save for future needs, delaying medical care, communications from a collection company). A poll reported that same year in *USA Today* (Coping, 1996) noted that two-thirds of Americans indicated they had trouble paying bills and worried about money.

Stress About Retirement.

- The American Express Retirement Services' 2004 National Survey on Financial Stress and Retirement Savings found that 44% were stressed about retirement. The stress levels by income groups were: 30% up to $30,000; 22% $30,000-$50,000; 22% $50,000-$75,0000; 17% $75,000-$100,000; and 9% $100,000 or more (Field & Vogt, 2004). The American Express study found that people's financial stress in 2004 is very similar to what was found in 2002. In 2004, 22% reported that they were either very interested (14%) or somewhat interested (7%) in financial advice on debt consolidation (21% in 2002).
- A Hewitt Associates survey of 5,000 employees (Survey Findings: Your Financial, 2005) found that "employees lack very basic knowledge of their 401(k) plans." Half of workers "say they are less than knowledgeable or not knowledgeable about investing."
- A MetLife study (With fear of outliving, 2004) found that one out of four employees (25%) have not done any specific retirement planning. Thirty-one percent say they are "on track" for reaching retirement goals, 30% are

somewhat behind and 23% are significantly behind. Nearly half (48%) believe they will have to work full- or part-time in retirement. Among employees in the 41-to-60 year age group, only 4% have reached their retirement goals. In this age group, 48% of employees say that outliving their savings as the greatest retirement fear. Confirming findings are in the 2004 MetLife Study of Employee Benefit Trends (2004) of employees as similar numbers report being extremely concerned about outliving their retirement money and only 24% report they are on track for reaching retirement savings goals.

- A poll by Putnam Investments found that nearly half (46%) of current workers are resigned to accepting that they will struggle financially in retirement (Many workers, 2004), and another 13% believe they cannot amass enough to retire so they are not going to save for retirement at all.
- In a CIGNA (2004) survey of retirement awareness, 47% said they were either confused, apathetic or felt their retirement planning situation was futile.
- A Principal Financial Group survey of American workers found the average expected retirement age was 65, although 20% did not plan on retiring (The Principal, 2004). More than half (53%) expected that their standard of living in retirement would decline. Seven in ten (71%) did not have a plan for transitioning retirement savings into a stream of income in retirement.
- A Thrivent study found that more than half of non-retired Americans had either not yet begun saving for retirement or reported they had saved less than $10,000 (Thrivent Financial, 2004). Sixty-two percent had never estimated how much they needed to save for retirement.
- Sixty percent of adults were not confident that Social Security would exist when they retire (Caravan Saray, 2004). The percentages lacking confidence varied for different age groups: 55-64 years (30%), 45-54 (55%), 35-44 (70%), 25-34 (76%), and 18-24 (53%).
- One professional woman summed up the challenge of saving for retirement with the comment that "Life just gets in the way of saving" (Duka, 2004).

Lack of Confidence About Ability to Manage Personal Finances

- An AARP study (Block, 2004) found that more than a quarter of baby boomers described themselves as worse money managers than their parents.
- A Roper Starch Worldwide survey (Stoneman, 1998) found 82% of low-income adults lacked confidence in their ability to plan for their family's future. Even 64% of those in the highest income group lacked confidence.

Health and Stress About Personal Finances are Related

- Health is negatively affected by financial stress (Drentea & Lavrakas, 2002; Hendrix, Spencer & Gibson, 1994; Peirce, Frone, Russell & Cooper, 1994).
- Financial stress negatively impacts both physical and psychological health (Kim & Garman, 2003; O'Neill, Xiao, Sorhaindo, & Garman, in press).

- Both the amount of credit card debt and stress regarding overall debt are associated with health (Drentea & Lavarkas, 2000). A poor debt-to-income ratio is associated with poor health. Having more stress about overall debt was associated with worse health. Consumer indebtedness for such things as housing, home entertainment systems, appliances, vehicles, and student loans may be a "chronic strain on an individual's financial well-being, and ultimately emotional well-being" (Drentea & Lavarkas, 2000).
- Perceived financial security has been found to be a significant predictor of emotional distress (Jackson, 1997).
- A Family Credit Counseling Service survey (Research Report: Financial Stress Survey, 2004) of a nationally representative sample of 1,590 adults who carry credit cards found that half (50.8%) said that at times they can't sleep because of stresses about personal finances. Over one-third said it was hard to concentrate. Another 29.1% said they sometimes feel sick to their stomachs, and 26.3% reported that they get headaches. Almost one in ten (8.1%) reported they went to a doctor because of their financial distresses. One-quarter reported never having any physical effects.
- One study (Kim, Garman & Sorhaindo, 2003a 2003b) examined the relationships among credit counseling, financial behaviors, financial stressor events, perceived financial well-being, and health among clients of a large credit counseling organization in a one-year follow-up study over a time period of 18 months. Credit counseling and participation in a debt management program, both designed to improve one's personal finances, reduced financial stress and improved people's perceived financial well-being and health.
- A study by Bagwell (2000) found more than half (57%) of new credit counseling clients reported their health status being negatively affected by their financial problems. Of those, 52% reported general stress, anxiety and worry, 23% reported headaches, 18% general health problems, 13% sleeping disorders, and 12% stomach problems. An illustrative client comment was "I feel very stressed mainly because I do not see any solution to our financial situation. Headaches, depression and poor diet is [sic] the results of worrying." Another wrote, "Yes, I lose a lot of sleep. I get all these problems on my mind. Feel sick a lot, at times, when I do sleep some it's the first think [sic] on my mind and I feel so depressed, I don't even want to get out of bed."
- Examples of specific health problems associated with finances that were reported by financially distressed employees (O'Neill, Xiao, Sorhaindo, & Garman, in press) are:

  "Staying behind on bills made me very nervous."
  "I can't sleep because of worrying about paying bills."
  "Caused anxiety and depression to be worse than it was."
  "Stressed out, overwhelmed with anxiety."
  "Could not afford to go to doctor when I was sick."

"Can't afford to eat healthier."
"I have high blood pressure from the stress."
"Cost of medication."
"I have been depressed and gained weight."
"Stress, catch sickness easier."

- A study of a large number of new credit counseling clients found they reported poorer health than the general population (Garman, 2004a). Forty percent of new credit counseling clients report their health has been negatively affected by their financial problems. Three-quarters of this 40% specified the nature of their problem, and the most cited problem was stress followed by sleep disorders.
- The range of health for credit counseling clients was: very good, 24%; good, 43%; satisfactory, 27%; and poor, 7% (Garman, 2004a). This contrasts with the health reported by the general population by the Gallup Organization (Personal health issues, 2001): Excellent, 29%; good, 49%; only fair, 17%; and poor, 5%. Comparing the responses on the two 4-point continuum scales with the Gallup categories provides the following:

	Excellent Health	Good Health	Fair Health	Poor Health
General Population	29%	49%	17%	5%
Credit Counseling Clients	24%	43%	27%	7%

- Encouragingly, 43% report that health improved soon after enrolling in a debt management program of a credit-counseling agency (O'Neill, et al, in press). .
- The relationship between poor health and serious financial distress suggests provocative clues that should be further investigated, particularly by the health care industry, employers, governments, and others involved in paying the costs for medical care.

Distress About Health Care Costs and Bills

- **"**One-half of Americans say they have found medical bills to be a source of financial stress within the past two years (18% major source; 32% minor source." Data are from the 2003 Health Confidence Survey conducted by the Employee Benefit Research Institute and Mathew Greenwald and Associates, Inc., using data from their 1998 through 2003 Health Confidence Surveys (2003 Health Confidence Survey). Data from the most recent Health Confidence Survey (2004 Health Confidence Survey) found one-quarter of people experiencing medical care cost increases reduced retirement savings contributions because of medical costs. One-quarter reports, "They have used up most or all of their savings to pay health bills."
- The Employee Benefits Research Institute report titled *Financial Stress Related to Health Care Costs* (Financial Stress Related, 2003) using

information from the 2003 Health Confidence Survey found that more than 4 in 10 (41% – up from 35% in 2002) are "not too confident" or "not at all confident" about being able to afford health care in the next 10 years or until age 65 when they become eligible for Medicare. Nearly half (up from 44% in 2002) are "not too" or "not at all" confident in their ability to afford health care once they are eligible for Medicare, without financial hardship.

- The results of a study on increasing health care costs by American Express Retirement Services (Field & Vogt, 2001) found that "73% of workers responded they were either somewhat or very concerned about how rising health care costs might impact their ability to fund their retirement and other financial goals." Over half say that the impact of rising health care costs has either considerably (15%) or somewhat (38%) increased their financial stress level.
- A 2003 American Express study (Field & Vogt) again reported that overall health care expense increases were having a measurable impact on the level of personal financial stress, with 54% indicating at least "some" or "considerable" increases in financial stress.
- According to Grommet (2004, February), 83% of Americans with medical debt say it is burdensome enough to prevent making major purchases such as houses, cars or major appliances.

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Internet Resources to Build Wealth

Barbara O'Neill, Ph.D., CFP®
Extension Specialist in Financial Resource Management
March 23, 2005

Below is a list of federal government or non-profit organization online resources that can help users build wealth:

America Saves
www.americasaves.org
Provides information about savings topics such as finding money to save, building wealth through homeownership, and compound interest. Information is also provided about U.S. savings campaigns.

American Savings Education Council/Choose to Save Partnership
www.asec.org (Click on "Savings Tools")
Includes downloadable publications and interactive online tools such as the *Ballpark Estimate* retirement savings calculation worksheet, the *Retirement Personality Profiler*, and financial planning calculators.

Certified Financial Planner Board of Standards, Inc. (CFP Board)
www.cfp-board.org
Provides consumer information about financial planning topics and information about how to find a certified financial planner in a particular geographic region.

Federal Citizen Information Center
www.pueblo.gsa.gov
Provides an online source of federal government publications, including both health and personal finance topics.

Financial Security in Later Life Web Site
www.csrees.usda.gov/fsll (Click on "Tools For Consumers")
Cooperative Extension System site includes links to a variety of online financial education resources with a focus on planning for retirement and long-term care.

Guidebook to Help Late Savers Prepare for Retirement
www.nefe.org/latesavers/index.html
Provides a downloadable 51-page booklet that describes over a dozen catch-up strategies for middle-aged late savers who are trying to make up for lost time.

Internal Revenue Service Web Site
www.irs.gov

Provides information on federal income tax topics and downloadable forms and publications.

Investing For Your Future
www.investing.rutgers.edu
Cooperative Extension System basic investing home study course includes 11 units on investment topics, a study guide, monthly investment messages, and links.

Investment Company Institute
www.ici.org
Provides information about mutual fund investing from the industry's trade association.

My Money.Gov Web Site
www.mymoney.gov
Financial Literacy and Education Commission website contains financial information in English and Spanish from a variety of federal government agencies on the following personal finance topics: budgeting and taxes, credit, financial planning, home ownership, home equity, mortgages, paying for education, privacy and fraud, responding to life events, retirement planning, saving and investing, and starting a small business. Users can download these publications from the links provided and can also order a free *My Money Toolkit*, sent via U.S. mail.

National Association of Investors Corporation
www.better-investing.org
NAIC website provides information about investing in stock and resource materials for investment clubs.

National Endowment For Financial Education
www.nefe.org
NEFE website contains information about NEFE financial education programs and publications for youth and adults.

National Foundation for Consumer Credit
www.nfcc.org
Includes information about credit-related topics and information about how to find a non-profit credit-counseling agency in a particular geographic region.

PowerPay
http://extension.usu.edu/cooperative/powerpay/ or http://powerpay.org
Utah State University Cooperative Extension website provides a debt reduction calendar and estimated time and cost savings for users who continue to pay the same amount to creditors monthly. When a creditor is repaid, the monthly payment that was previously paid is added to the monthly payment due to a remaining creditor. Users input their

personal data (e.g., name of creditors, outstanding balance, monthly payment, and interest rate) for a personalized analysis.

Rutgers Cooperative Research and Extension *Money and Investing* Web Site
www.rce.rutgers.edu/money2000
Includes dozens of downloadable personal finance publications, online presentations, self-assessment quizzes, conference summaries, federal marginal tax rate tables, and other financial education resources for consumers.

Save For Your Future
www.saveforyourfuture.org or www.asec.org/sfyf
Website includes publications, posters, and online calculators from a 2003 national campaign to promote retirement savings.

U.S. Savings Bonds Web Site
www.savingsbonds.gov or www.easysaver.gov
Provides information about how to purchase U.S. savings bonds and current rates of return.