

GERIATRIC EDUCATION

Financial Literacy: A Down Payment on Our Old Age

*M. Joanna Mellor, DSW, Associate Professor
Rozetta Wilmore-Schaeffer, PhD., Associate Professor
Wurzweiler School of Social Work, Yeshiva University*

There is an old adage, “a fool and his money are soon parted,” and although we may not be fools, many of us make financial decisions that are uninformed and based on ignorance or feelings. In 2002, the U.S. Treasury established the Office of Financial Education and, a year later, the Financial Literacy and Education Improvement Act was passed, leading to the development of the Organization of Economic Cooperation and Development (OECD). The organization focuses on improving financial education for everyone and defines financial literacy as the ability to understand finances and to individually and personally manage money making informed, effective financial decisions. In 2005, at an international OECD meeting, it was reported that “in the US four out of ten American workers are not saving for retirement” (Employee Benefit Research Institute, 2005).

While times are good, financial illiteracy is of little consequence for most of us, but becomes a dangerous liability when the economy is sinking and times are hard. Given the current financial crisis, it is a good time to begin to discuss the great taboo, “money.” Our seeming inability to talk about finances or to understand finances and money management, financial illiteracy, has led to the subprime crises. It is important to ask the question, “What is my knowledge of finances?” Or to state this alternatively, “What is my level of financial literacy?”

Advances in the form of calculators, followed by credit cards, on-line banking, and the availability of financial advisors and money managers have all combined to separate us from the knowledge and art of managing finances. Today’s complex financial world and the variety of consumer choices require that each consumer is knowledgeable enough to evaluate the available options and choose those that meet their needs and circumstances. Financial literacy is essential to help individuals understand how to prevent involvement in destructive over-indebtedness. Well-informed participation in the U.S. financial system, which includes credit management, asset building, recognizing and avoiding abusive financial practices, and financial planning for the future, helps to strengthen all communities.

Older persons, in particular, tend to be vulnerable, not only if they are living on a fixed income with scarce resources, but also if they hold a substantial portion of their

wealth in home equity. Being financially savvy in these times may not fend off poverty, but it might ensure that one is not easily entrapped in credit card debt, fooled into unwise insurance schemes, or enticed into illegal or risky investment schemes. AARP points out that the trend away from saving for retirement through employer plans towards through personal savings leads to an increased need for financial literacy for all ages. AARP also states that at least half of the older persons in the U.S. are financially illiterate. “The level of financial literacy is shockingly low” (Gaberlavage, 2009, p. 42). In addition, a survey administered by the Social Security Administration (2005) found that “financial literacy in the older than 50 population is lacking.” Less than 20% is able to figure compound interest (Social Security Administration, 2005). It is findings such as these that has led to increased need for financial education.

While it is suggested that there is a positive association between lower education and financial illiteracy, our own observations lead us to believe that financial illiteracy among older persons is high regardless of a person’s level of education and, so, as a prelude to writing this article, we decided to survey a handful of our colleagues, all of whom hold doctoral degrees and are over the age of 60.

Surveys were distributed to 15 persons, nine of which were completed and returned. All the respondents rated themselves as moderate to good in financial literacy and knew how to balance their checking accounts. However, while almost half the group has calculated how much money is needed for retirement, half of them noted that they are uncertain how to make this calculation. There is similar uncertainty regarding whether the bank or the mortgage owner pays the property taxes in reverse mortgage situations. A question, on interest fees owing on a credit card debt once the original charge is paid off, resulted in no correct answers. To our chagrin, we ourselves spent some time computing the answer to this basic question. Hardly a valid research experience, but sufficient to suggest that financial illiteracy among older persons is not reserved for those with lower levels of education.

It should be noted that while financial literacy does not necessarily translate into more planning by younger persons for their retirement years, among older persons, those who do plan for retirement and carry out their plans are those who are the most financially literate. Thus, it behooves us all to evaluate and increase our own financial literacy and to mobilize and sponsor financial literacy training within our schools and agencies, for students, clients, and consumers.

References

Employee Benefit Research Institute. (2005). Retirement Confidence Survey: Annual Data. Washington, D.C.: Employee Benefit Research Institute & Matthew Greenwald and Associates, Inc.

Gaberlavage, G. (2009). Financial literacy: More important than ever. *The Journal*, Summer, 40-43. Retrieved from <http://www.aarpinternational.org/journal/>

Social Security Administration. (2005). Report on survey of Health and Retirement Study data by M. Lusardi.

Lusardi, A. & Mitchell, O. (2005). Financial literacy and planning: Implications for retirement well-being. Michigan Retirement Research Center Working Paper WP 2005-108. Ann Arbor, MI: Michigan Retirement Research Center. Retrieved from <http://www.mrrc.isr.umich.edu/publications/papers/>

Resources for Achieving Financial Literacy

Lisa Curch, Ph.D., Associate Professor, Sociology Department, SUNY- College at Oneonta
curchlm@oneonta.edu

The following websites and online resources may be useful for you, your students, your co-workers, your family members - really just about anyone you know! Some are simply sources of information, but many include quizzes, calculators, and audiovisual resources. There are also entire programs and curriculums available at some of these sites. Some of these may be better for personal use, but most, if not all, of these resources can be put to good educational use in your courses, departmental programs, and/or institutional activities. They can help you to help your students become financially literate, whether they are undergraduates or graduate students, and in any area of gerontology and geriatrics.

360 Degrees of Financial Literacy

<http://www.360financialliteracy.org/>

From the website: "360 Degrees of Financial literacy is a national volunteer effort of the nation's Certified Public Accountants to help Americans understand their personal finances and develop money management skills. It focuses on financial education as a lifelong endeavor—from children learning about the value of money to adults reaching a secure retirement...The Web site offers general information for managing personal finances and does not recommend specific financial actions." The website takes the approach of offering information specific to various life stages (e.g., childhood, college, parenthood, sandwich generation, retirement, among others) as well general financial topics, a financial guidance book by Mark Alteri, C.P.A., J.D., and information specifically for women.

AARP – Money

<http://www.aarp.org/money>

In the Money section of the AARP website, topics include work, personal finance, consumer information, retirement, social security, and estate planning. There are also a number of money tools and calculators, including retirement calculators.

AARP Bulletin Today – Your Money

<http://bulletin.aarp.org/yourmoney/>

Topics addressed include many of the same as the other AARP sites, but this one also features columns on scams and finding good deals.

AARP The Magazine – Financial Planning and Retirement

http://www.aarpmagazine.org/www.aarp.org/money/financial_planning/

Topics include creating a plan, checking, budgeting and record keeping, saving money, insurance, investing, retirement planning, and professional financial help.

CashCourse

<http://www.cashcourse.org/>

This free, online financial education resource for college students does require enrollment by the college or university. Once enrolled, the program allows the institution to develop their own customizable website to provide access to financial resources for your students. Again, there is no cost and CashCourse maintains the website as well as provide templates for marketing materials. Additionally, once enrolled, you have access to workshop kits and materials on key financial topics.

Enhancing Your Retirement, Helping Ensure the Financial Success of Youth

<http://www.gu.org/NEFE/>

This unique online curriculum is designed to be completed by an older person and a young person at the same time. Developed by Generations United in partnership with the National Endowment for Financial Education, the course consists of watching a set of videos, with the role of the older person to encourage questions and providing advice, instruction and assistance to the younger person, and each section ends with an interactive quiz. There is the option to print out a certificate of completion at the finish. Course topics include principles of exchange, money skills, money plan, ways to earn money, and saving. From the website: "This course is designed to help you teach young persons about money. When your young friends have finished the course, they will better understand how to manage money. They'll know how to

use their money to meet important goals. By encouraging young persons to complete this course, you'll help them learn to achieve their dreams!"

Financial Literacy and Ignorance

<http://annalusardi.blogspot.com/>

This is an informative blog on financial literacy and financial planning maintained by Annamaria Lusardi, Ph.D., the Joel Z. and Susan Hyatt professor of economics at Dartmouth College and a research associate at the National Bureau of Economic Research.

Frontline PBS Documentary: Can You Afford To Retire? <http://www.pbs.org/wgbh/pages/frontline/retirement/>
On this website, you can watch the full program online, which is 60 minutes and addresses the problems of vanishing pensions and inadequate 401(k) savings. There are also a number of other items, including an Analysis of America's private pension system, a set of frequently asked questions about pensions, 401(k)s, and how much to save for retirement, interviews with experts, retirement stories, readings, links and a teacher's guide.

Frontline PBS Documentary: Can You Afford To Retire?

<http://www.pbs.org/wgbh/pages/frontline/retirement/>

On this website, you can watch the full program online, which is 60 minutes and addresses the problems of vanishing pensions and inadequate 401(k) savings. There are also a number of other items, including an Analysis of America's private pension system, a set of frequently asked questions about pensions, 401(k)s, and how much to save for retirement, interviews with experts, retirement stories, readings, links and a teacher's guide.

Kiplinger – Retirement

<http://content.kiplinger.com/retirement/>

This part of the Kiplinger's website has a lot of information, and can be a bit sophisticated, but does have some basic information and primers, as well as various tools, quizzes, and calculators, multimedia (podcasts, videos and slideshows), and sections on spending in retirement, saving for retirement, making money last, and the Kiplinger Retirement Report. There are also links to other retirement-related financial topics not as often addressed on other sites, such as caregiving, long-term care, travel, and a baby boomer retirement guide. Of course, other parts of the Kiplinger website have extensive information on all kinds of financial topics.

***A *Kiplinger's Personal Finance* magazine article from 2007 rated various online retirement planning programs: <http://content.kiplinger.com/magazine/archives/2007/08/financialplans.html>

Money Smart – A financial education program

<http://www.fdic.gov/consumers/consumer/moneysmart/index.html>

From the website: "The Federal Deposit Insurance Corporation (FDIC) initiated a national financial education campaign in 2001 by launching Money Smart, a comprehensive financial education curriculum designed to help individuals outside the financial mainstream develop financial skills and positive banking relationships." There are 10 modules in the curriculum, which covers topics such as an introduction to bank services, an introduction to credit, consumer rights, homeownership, checking accounts and managing money. "Money Smart is available in two versions: an instructor-led version and a computer-based instruction (CBI) version. Both versions consist of the same 10 modules." The CBI version is available online or on CD-ROM. There is also a curriculum designed specifically for young adults (for youth aged 12-20). Additionally, you can also access the Money Smart Podcast Network, the portable audio (MP3) version of the program. There are other parts of the website which provide news and information, as well as Train-the-Trainer videos, which can be watched online or can be ordered on DVD or VHS.

MSN Money – Retirement IQ Quiz

<http://moneycentral.msn.com/quiz/retirement-iq-quiz/home.aspx>

This 25-question quiz asks about topics such as social security benefits, IRAs, annuities, employment retirement plans, life insurance, and general retirement income. Before you get your results, you are asked your gender and age range. Then your score (out of 100 possible points) is given and it shows how you compare to men, women, and different age groups. You can also review your quiz answers, seeing how you answered and the correct answers where applicable. Of course, other parts of the MSN Money site have extensive information on all kinds of financial topics.

MyMoney.gov

<http://www.mymoney.gov/>

From the website: "MyMoney.gov is the U.S. government's website dedicated to teaching all Americans the basics about financial education. Whether you are planning to buy a home, balancing your checkbook, or investing in your 401k, the resources on MyMoney.gov can help you do it better. Throughout the site, you will find important information from 20 federal agencies government wide."

National Endowment for Financial Education

<http://www.nefe.org/>

This is the website for “the only private, nonprofit, national foundation wholly dedicated to improving the financial well-being of all Americans.” There is information about their program for high school students, research and strategy, public policy and a section for educators. There is also information about CashCourse, a free online financial education resource for college students that the NEFE has developed – see previous link and description.

Practical Money Skills for Life – Financial Literacy for Everyone

<http://www.practicalmoneyskills.com/>

This site was developed and is sponsored by Visa: “To help students of all ages learn the essentials of personal finance, Visa has partnered with leading consumer advocates, educators, and financial institutions to create the Practical Money Skills program. At www.practicalmoneyskills.com and www.whatsmyscore.org, educators, parents, and students can access free educational resources including personal finance articles, games, lesson plans, and more. Visa also works with state and national government to co-sponsor community-based events such as statewide Financial Football rollouts and the annual Financial Literacy in Education Summit. Additionally, Visa donates computer labs along with the Practical Money Skills curriculum to schools in high-need areas. Learn more about Visa’s outreach program. Practical Money Skills for Life is educator-developed and educator-approved, and the program reaches millions of students across the nation.”

Yahoo! Personal Finance

<http://finance.yahoo.com/retirement>

This site includes articles and advice on topics such as banking and budgeting, career and work, college and education, family and home, insurance, loans, real estate, retirement and taxes. There are also a variety of tools, including calculators, how-to guides, a glossary, and a search engine for local mortgage, home equity, savings, auto and credit card rates in your area.

Copied with permission from the AGHEExchange, Winter 2010 Edition, Official Newsletter of the Association for Gerontology in Higher Education (www.aghe.org).