Impact of Finances 50+ SM
Training Classes on Individuals’
Financial Behaviors:
Results and Implications

sponsored by and developed in collaboration
with Charles Schwab Foundation
Elinore Robey
Director of Programs, Schwab Community Services and Charles Schwab Foundation

Donna V.S. Ortega
Program Manager, Income Impact Area at AARP Foundation

J. Michael Collins
Center for Financial Security, Faculty Director, UW-Madison

T. Ryan Wilson
Senior Strategic Policy Advisor, AARP Public Policy Institute
Welcome and Introduction

Elinore Robey
Director of Programs, Schwab Community Services and
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.

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 AARP’s affiliated charity. Learn more at www.aarpfoundation.org.
Background and Goals

Donna V.S. Ortega
Program Manager, Income Impact Area
at AARP Foundation
Background

AARP Foundation Finances 50+℠ is a financial capability program sponsored by and developed in collaboration with Charles Schwab Foundation.
Structure of Finances 50+

Three 90-minute workshops delivered in-person and in sequence:

1. Where you are. Where you want to go. How to get there. (budgeting and goal-setting)
2. Taking control of credit and debt
3. Building—and protecting—your assets (savings and consumer protection)
How does it work?

Assessment

- Setting Goals
- Planning
- Taking Action
- Celebrating Success

Center for Financial Security
UNIVERSITY OF WISCONSIN-MADISON
Charles Schwab FOUNDATION
Program Goals

• Effect positive behavioral change in the target low-income older adult audience

• Educate, activate, and mobilize the volunteer base about particular financial education needs of low-income older adults

• Advance and educate the asset-building/financial literacy field with information on the particular needs and effective ways of impacting the older adult audience
Methodology and Findings

J. Michael Collins,
Faculty Director,
Center for Financial Security,
University of Wisconsin-Madison
Methodology

- 11 organizations nationwide participated
- Survey instruments
  - Baseline survey, 3-month survey, and 6-month survey
  - English, Chinese, and Spanish
- Data collection
  - September 2012 – December 2013
  - Modes
    - Baseline (Paper survey)
    - 3-Month (Mail or Online survey)
    - 6-Month (Mail or Online survey)
  - Incentives
Methodology, cont’d.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Number of participants who completed a survey for each measure</th>
<th>Number of participants included for each measure in the report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Measure (Baseline survey)</td>
<td>n=1,265</td>
<td>n=427</td>
</tr>
<tr>
<td>3-month Measure (3-month follow-up survey)</td>
<td>n=619</td>
<td>n=427</td>
</tr>
<tr>
<td>6-month Measure (6-month follow-up survey)</td>
<td>n=427</td>
<td>n=427</td>
</tr>
</tbody>
</table>
Study Objectives

• Understand current financial practices of program participants.
• Determine whether program participation elicits positive behavioral changes in managing one’s finances.
### Demographics

**Baseline Characteristics of Study Participants**

*(n=427)*

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>78</td>
</tr>
<tr>
<td>Age 50-74</td>
<td>60</td>
</tr>
<tr>
<td>Married/living with partner</td>
<td>31</td>
</tr>
<tr>
<td>White</td>
<td>46</td>
</tr>
<tr>
<td>African American</td>
<td>43</td>
</tr>
<tr>
<td>Household Income Less Than $35,000</td>
<td>67</td>
</tr>
<tr>
<td>Retired</td>
<td>52</td>
</tr>
<tr>
<td>H.S. degree/Tech school</td>
<td>37</td>
</tr>
<tr>
<td>Renter</td>
<td>51</td>
</tr>
</tbody>
</table>
Baseline Financial Behaviors and Outlook

• 57% were either very or somewhat worried about financial situation
• 21% reported spending more than their income in the last 3 months
• 65% had less than $10,000 in non-retirement savings
• 46% had less than $10,000 in retirement savings
• Less than half (42%) had at least one financial goal
Findings

• Significant changes in attitude and confidence about financial issues
• Significant changes in financial behaviors
• Significant changes in state of financial well-being
Attitude and Confidence Concerning Financial Issues

Participants' Level of Worry About Financial Situation

(n=427)

- Very worried: 22% (Baseline) → 14% (6-Month)
- Somewhat worried: 35% (Baseline) → 38% (6-Month)
- Not very/not at all worried: 34% (Baseline) → 42% (6-Month)

Question 1. How worried are you about your current financial situation?
Question 2. How confident are you that you will improve your current financial situation?

Confidence in Improving Financial Situation

(n=427)

- Very: 20% (Baseline), 25% (6-Month)
- Somewhat: 46% (Baseline), 45% (6-Month)
- Not very: 17% (Baseline), 18% (6-Month)
- Not at all: 6% (Baseline), 5% (6-Month)
- Don't know: 11% (Baseline), 7% (6-Month)
### Engagement in Positive Financial Behaviors (n=427)

<table>
<thead>
<tr>
<th>&quot;Positive&quot; behaviors:</th>
<th>Baseline</th>
<th>6-Month</th>
<th>Net Change Baseline to 6-Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewed financial account statements for accuracy</td>
<td>61%</td>
<td>71%*</td>
<td>16%*</td>
</tr>
<tr>
<td>Reduced spending and/or increased earnings to balance budget</td>
<td>51%</td>
<td>62%*</td>
<td>22%*</td>
</tr>
<tr>
<td>Prioritized debt repayment based on information about the terms, conditions, amounts, or interest rates</td>
<td>40%</td>
<td>49%*</td>
<td>23%*</td>
</tr>
<tr>
<td>Reviewed fees and interest for financial services &amp; taken steps to reduce those costs</td>
<td>38%</td>
<td>49%*</td>
<td>29%*</td>
</tr>
<tr>
<td>Calculated your net worth</td>
<td>28%</td>
<td>40%*</td>
<td>43%*</td>
</tr>
</tbody>
</table>

Question 4. In the past 3 months, have you done any of the following? Check one response for each item.
* Indicates that there are statistically significant differences between participant baseline and participant follow-up.
## Engagement in Negative Financial Behaviors (n=427)

<table>
<thead>
<tr>
<th>“Negative” behaviors</th>
<th>Baseline</th>
<th>6-Month</th>
<th>Net Change Baseline to 6-Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdrawn a checking or savings account</td>
<td>18%</td>
<td>12%*</td>
<td>-33%*</td>
</tr>
<tr>
<td>Been contacted by a creditor or debt collector about unpaid bills</td>
<td>23%</td>
<td>17%*</td>
<td>-26%*</td>
</tr>
<tr>
<td>Taken out a payday loan</td>
<td>7%</td>
<td>4%*</td>
<td>-43%*</td>
</tr>
<tr>
<td>Taken out a cash advance on a credit card</td>
<td>6%</td>
<td>3%* at 3-month*</td>
<td>-50%* at 3-month*</td>
</tr>
</tbody>
</table>

* Indicates that there are statistically significant differences between participant baseline and participant follow-up.

**Question 4.** In the past 3 months, have you done any of the following? Check one response for each item.
Question 9. Do you currently have at least one financial goal?
Improvement in Financial Well-Being: Planning

Percent Who Report Having a Written Action Plan
(Base=Participants who reported having at least one financial goal)
(n=427)

<table>
<thead>
<tr>
<th></th>
<th>Baseline (n=181)</th>
<th>3-Month (n=252)</th>
<th>6-Month (n=269)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>33%</td>
<td>45%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Question 9a. Do you currently have a written action plan to reach your financial goals?
Improvement in Financial Well-Being: Savings

Baseline (n=427)
- Saving the same: 27%
- Saving more now: 13%
- Saving less now: 29%
- Don’t know/Refused: 10%
- I do not contribute to savings: 21%

6-Month (n=427)
- Saving the same: 44%
- Saving more now: 17%
- Saving less now: 18%
- I do not contribute to savings: 19%
- Don’t know/Refused: 2%
- I do not contribute to savings: 21%

Question 6. Compared to three months ago, are you currently saving less, the same, or more?
Question 5. In the past 3 months, would you say your household’s average monthly spending was less than, more than, or about equal to your household’s income?
Improvement in Financial Well-Being: Debt

Baseline (n=427)
- More debt: 14%
- Less debt: 17%
- About the same amount of debt: 32%
- Had no debt at either time: 30%
- Don't know/Refused: 7%

6-Month (n=427)
- Had no debt at either time: 33%
- Less debt: 25%
- More debt: 8%
- About the same amount of debt: 31%
- Don't know/Refused: 3%

Question. 10. Compared to three months ago, which of the following statements best describes how your total debt has changed?
Improvement in Financial Well-Being: Retirement Savings, Non-Retirement Savings, Household Debt

<table>
<thead>
<tr>
<th>% Changes in Total Amounts of Savings and Debt over Study Period</th>
<th>Net Change: 6-Month vs. Baseline (n=427)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Retirement Savings</strong></td>
<td></td>
</tr>
<tr>
<td>15% increased saving</td>
<td></td>
</tr>
<tr>
<td>21% decreased saving</td>
<td></td>
</tr>
<tr>
<td>64% no change in saving</td>
<td></td>
</tr>
<tr>
<td><strong>Retirement Savings</strong></td>
<td></td>
</tr>
<tr>
<td>23% increased saving</td>
<td></td>
</tr>
<tr>
<td>17% decreased saving</td>
<td></td>
</tr>
<tr>
<td>60% no change in saving</td>
<td></td>
</tr>
<tr>
<td><strong>Household Debt</strong></td>
<td></td>
</tr>
<tr>
<td>23% increased debt</td>
<td></td>
</tr>
<tr>
<td>35% decreased debt*</td>
<td></td>
</tr>
<tr>
<td>41% no change in debt</td>
<td></td>
</tr>
</tbody>
</table>

* Indicates that there are statistically significant differences between participant baseline and participant follow-up.
Program Perspective: Significance of Findings on Practice

Donna V.S. Ortega,
Program Manager, Income Impact Area
at AARP Foundation
Building the program

• Start with evaluation.
• Learn from others.
• Know your audience.
• Put the participant at the center.
• Course correct as needed.
Supporting behavior change

- Supporting behavior change = supporting action.
- In-class opportunities for practice.
- Application in real-life.
- Get people started.
- Provide ongoing support.
Working with older adults

• “Adult experiential learning on steroids.”
• Meet people where they are.
• Use relevant examples.
• Honor the knowledge they already have and supplement with what they need to know now.
• Peer-to-peer can help.
Program questions?

• Program website: 
  www.aarp.org/finances50plus

• AARP Foundation staff
  – finances50plus@aarp.org
  – Chris Rutledge, 202-434-2193
  – Donna V.S. Ortega, 202-434-2143
Policy Perspective: Significance of Findings for Policy

T. Ryan Wilson,
Senior Strategic Policy Advisor,
AARP Public Policy Institute
Why is financial literacy important?

• The New Retirement Paradigm – Self-Service Retirement
  – Individuals make their own decisions
  – Increasingly complex financial products
  – Hi-cost financial products aimed at lower-income families

• Longer Retirement - We live longer!
  – In 1970, 50-yr-old life expectancy was 23.34 years
  – In 2011, 50-yr-old life expectancy was 29.6 years
More on importance of financial literacy

• Several studies show financially literate households are
  – More likely to plan for retirement
  – More likely to save
  – Less likely to use high cost borrowing and other financial services

• Older adults have more liabilities than past generations
Some Cautions

• Even well-constructed literacy programs are not foolproof

• Fraud and financial abuse are still problems
  – Older households are targeted
  – People with diminished capacity more susceptible

• Financial capability can be affected by age
  – Older adults are more likely to suffer diminished capacity
  – Financial capacity is one of the first abilities to diminish
Thank you for attending today’s webinar:

**Impact of Finances 50+SM**

**Training Classes on Individuals’ Financial Behaviors: Results and Implications**

This archived webinar and PowerPoint presentation will be available for viewing on the CFS website:

[www.cfs.wisc.edu/](http://www.cfs.wisc.edu/)

Please contact Hallie Lienhardt at [hebennett@wisc.edu](mailto:hebennett@wisc.edu) or 608-890-0229 with questions.

With program specific questions, please contact Donna V.S. Ortega, Program Manager, Income Impact Area at AARP Foundation at [DVOrtega@aarp.org](mailto:DVOrtega@aarp.org) or 202-434-2143.