

Nefe Digest

Spring 2016

Overconfident and Underprepared:

What Millennials don't know can hurt them

America's largest, most diverse and most educated generation is challenging traditional milestones (such as marriage) and shifting cultural norms around work, transportation, travel, technology and entertainment.

Millennials are highly financially engaged; however, two-thirds of them hold at least one form of long-term debt that threatens to slow their launch into financial independence.

All that education came at a cost and, unfortunately for most Millennials, did not include any training on how to make the complex personal finance decisions facing them now and in the future.



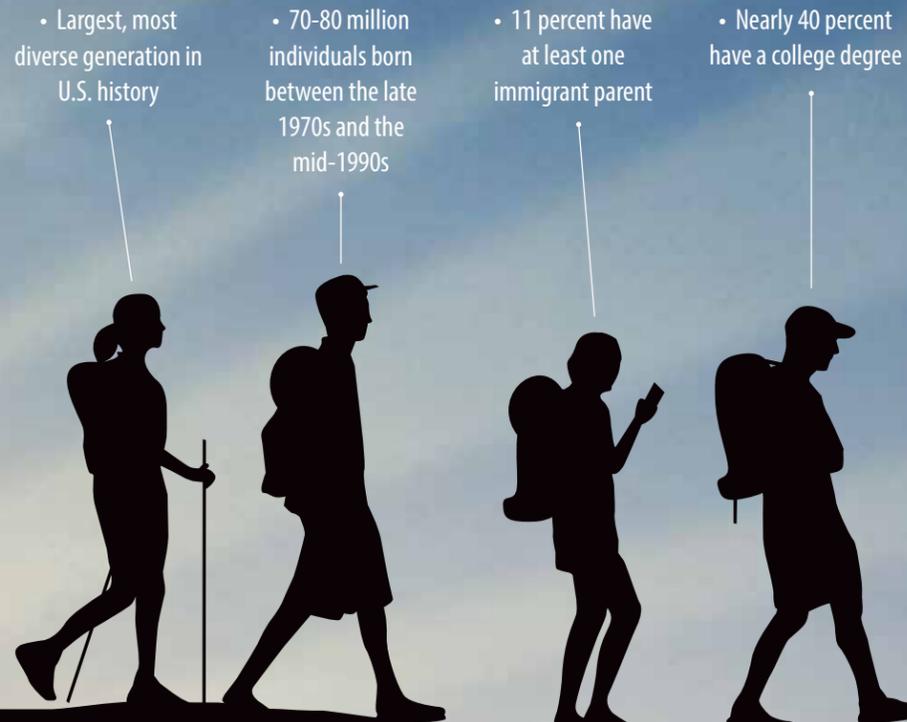
The "SPECIAL" Generation

Where prior generations were preferably seen and not heard, Millennials grew up in an era that placed unprecedented value on children. Their parents prioritized personal development and self-esteem, leading many in this generation to possess buoyant optimism and supreme confidence in their own abilities. This means that Millennials have loftier dreams — and the potential for steeper disappointments — than their predecessors.

Shifting Responsibilities

Millennials are going to need that confidence to tackle the myriad financial challenges they face. Where their parents entered adulthood with hardly any debt, or with "good" debts such as home mortgages that quickly became assets, many Millennials now take their first steps into independence already saddled with huge amounts of student loan debt, which only becomes an asset if it can be turned into a profitable career. Faced with a big debt management problem from the get-go, Millennials also now must handle their own retirement planning and health care costs, benefits that traditionally were covered by employers. Finally, record-high living costs in many American cities and slow wage growth mean that many in this generation struggle just to make ends meet, let alone pay down debt and save for the future.

Who are Millennials?



Millennials' Financial Engagement

- 88 percent have a checking or savings account.
- 51 percent have a retirement account.
- 40 percent own homes.
- 38 percent have a college degree (and significantly higher income).
- 68 percent have at least one credit card.

(And Risks...)*

- Nearly 30 percent overdraw an account in the past year.
- 22 percent took loans or hardship withdrawals from their accounts in the past year.
- More than 70 percent have mortgages.
- 32 percent believe they owe more than their homes are worth.
- 24 percent have been late on a mortgage payment in the past two years.
- 55 percent carry student loans.
- 54 percent worry they will never be able to pay off their student loans.
- 1 in 5 has four or more credit cards.
- 52 percent carried a balance — and were charged interest — in the past year.
- 45 percent make only minimum payments.
- 35 percent have unpaid medical bills.
- 42 percent used alternative financial services (AFS) such as payday loans, auto title loans, tax refund loans, rent-to-own stores or pawn shops in the past five years.

*Risk stats apply only to Millennials with the corresponding financial engagement, i.e., those who have credit cards, own homes, etc.

The Financial Knowledge Gap

What Millennials think they know ...

- **74 percent** agreed with the statement, "I am good at dealing with day-to-day financial matters, such as checking accounts, credit and debit cards, and tracking expenses."
- **Nearly 70 percent** rated themselves as having high financial knowledge (and 75 percent of men ranked themselves as "highly knowledgeable").
- **21 percent** reported that they are "very satisfied" with their current financial situation.

What Millennials actually know ...

- Out of five financial literacy questions, only **8 percent** answered all questions correctly.
- **Only 24 percent** answered 3 out of 5 questions correctly, indicating basic financial literacy.
- **Only 37 percent** of college-educated respondents correctly answered the most basic financial literacy questions.

The Financial Education and Help Gap

- **Only 22 percent** of Millennials (and 29 percent of those with college degrees) have ever received financial education from an educational institution or workplace.
- **41 percent** sought at least one form of financial advice in the past five years.
- Those with higher financial literacy tend to trust financial professionals more than those who are less financially literate (**46 percent vs. 39 percent**).
- **60 percent** think financial professionals are too expensive for them, and 35 percent think it is hard to find the right financial professional for their situation.

Unless otherwise noted, data comes from *Financial Capability Among Young Adults and NEFE-Sponsored Research in Perspective*, a study by the Global Financial Literacy Excellence Center at George Washington University. This study analyzed data from the 2012 National Financial Capability Study (NFCS). View the final report at www.nefe.org/research.

Where CAN Millennials get FINANCIAL Education

There is no shortage of information online about every topic from credit cards and mortgages to car loans and debt management — however, the quality and legitimacy of the information is not always clear — especially if the person seeking it does not have the financial knowledge to separate the facts from the sales pitch.

Some “financial education” is not educational at all, and amounts to little more than a checkbox for regulatory compliance by resource-strapped agencies or predatory entities. Meanwhile other well-intentioned programs fail to meet the learners where they are, and end up seeming out of touch, irrelevant or, worst of all, a waste of time.

IS EFFECTIVE FINANCIAL EDUCATION

Yes

Regular, ongoing discussions about financial decisions involving debt, savings, wealth building and changing family dynamics — especially as parents age

Mom, How do you suggest I Budget for saving more each month?

How did you & dad stay disciplined?

CAN you help me understand my credit at dinner next week?



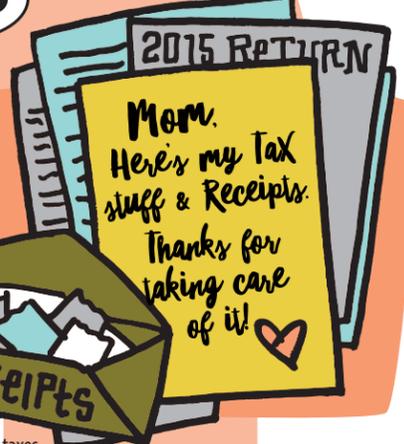
NOT EFFECTIVE FINANCIAL EDUCATION

No

HOME

NEFE Resource: NEFE has two research-based quizzes to jumpstart the conversation about money: the Financial Identity Quiz and the LifeValues Quiz. Visit both at www.smartaboutmoney.org.

Your parents doing your taxes for you OR watching a cable TV show about picking stocks with your grandpa



NOT EFFECTIVE FINANCIAL EDUCATION

No



SCHOOL

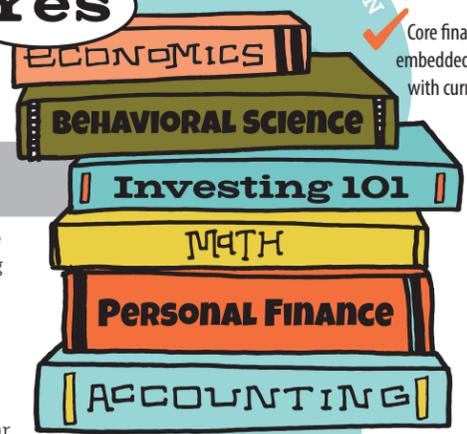
NEFE Resource: Check out the High School Financial Planning Program® (www.hsfpp.org) for classroom curriculum and CashCourse® (www.cashcourse.org) for self-guided resources aimed at community college and four-year college students.

A flier posted on your dorm bulletin board OR a vague, one-time presentation about student loans given by your resident advisor

IS EFFECTIVE FINANCIAL EDUCATION

Yes

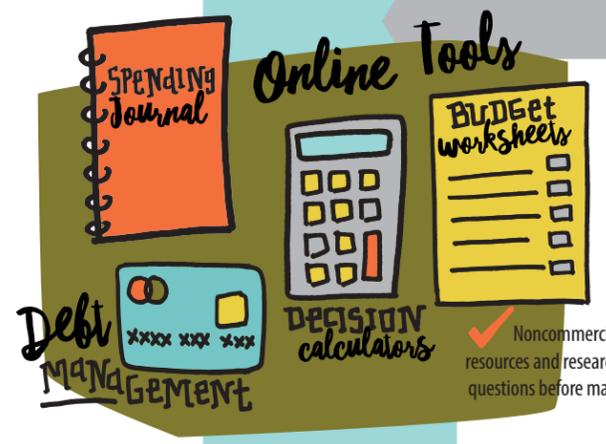
Core financial concepts embedded and integrated with curricula in math, social sciences, and life skills courses OR self-guided education using trusted resources



INTERNET

NEFE Resource: Find useful information and resources for all stages of life on NEFE's general consumer websites: On Your Own (www.onyourown.org), Smart About Money (www.smartaboutmoney.org) and My Retirement Paycheck (www.myretirementpaycheck.org).

Reading a couple sentences about interest rates before checking a box that says you understand how much debt you are taking on



Noncommercial, unbiased, trusted resources and research-based tools to answer questions before making a financial decision

INTEREST RATES ARE PRETTY HIGH BUT GO AHEAD AND Check this Box

COMMUNITY

NEFE Resource: Visit Financial Workshop Kits (www.financialworkshopkits.org) for turnkey workshops on money topics, and create a pre- and post-workshop evaluation with NEFE's Evaluation Toolkit (Toolkit.nefe.org).

Your neighbor explaining the stock market while you drink cheap beer on your lawn



Workshop on a relevant topic to the community presented by a prepared facilitator and evaluated for impact



Impartial, unbiased information about the risks and potential rewards of different benefits options presented by a trusted source

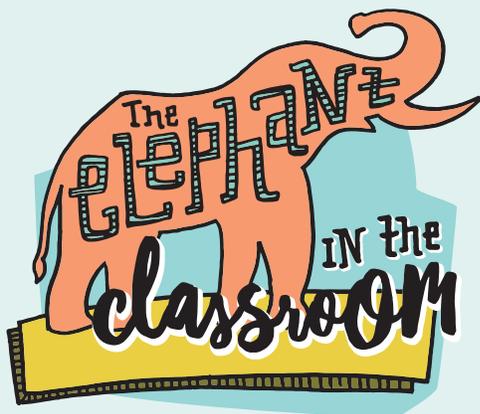
WORK

NEFE Resource: Smart About Money (SAM) will begin offering free online courses that employers can share with employees who want to learn about personal finance basics. Visit www.smartaboutmoney.org this summer for the latest.

Correctly answering a couple memory retention questions after a PowerPoint about your benefits OR flipping through a booklet of your 401(k) options and then just picking the same target date fund as your friends



GOOD NEWS ABOUT



Financial education in schools only is effective if presented by teachers who have been properly trained, not just in pedagogy, but in personal finance itself.

Well-meaning supporters of school-based financial education often don't incorporate teacher training requirements, and in fact, just assume that any teacher required to teach personal finance will be good at it.

However, more than 80 percent of teachers don't feel confident in teaching personal finance, according to a 2009 NEFE-funded University of Wisconsin study. The best way to build teacher confidence, the study found, is with proper training into how to teach personal finance.

Champlain College's Center for Financial Literacy and NEFE just completed a two-year study with 817 Vermont high school students and teachers with 45 hours of graduate-level financial literacy training to see if training teachers makes a difference in student learning outcomes — and it does.

Students taught by the well-trained teachers improved by 17 percent in financial capability knowledge and behavior, while control group students (who received no instruction) dropped by 2 percent in the same measures.

Pilot group students also showed "high financial literacy" on par with Generation Xers (ages 35-49), outperforming the control group students and older Millennials (ages 18-34) in the population at large.

So, not only did the students of trained teachers outperform their peers, but they reached the same level of financial literacy as many in their parents' generation.

Although most states currently lack guidelines or certifications for who can teach personal finance, Billy Hensley, Ph.D., NEFE's senior director of education, says, "Given the outstanding results of pilot teacher training programs such as the one in Vermont, such guidelines are within our reach."

See the full study, *Prepped for Success*, at <http://www.champlain.edu/prepped-for-success>.

5 KEY FACTORS OF EFFECTIVE FINANCIAL EDUCATION

- 1 Well-Trained Educator.** The educator needs to be confident, competent and knowledgeable in the content and technology.
- 2 Vetted/Evaluated Program Materials.** The content should be created with the consultation of field experts and tested for the audience.
- 3 Timely Instruction.** Program goals, instructional tools and topics should link to decisions that learners are readily able to make.
- 4 Relevant Subject Matter.** The topics, examples and content need to be relatable to learners' lives.
- 5 Evidence of Impact (Evaluation).** Program providers should be able to show evidence of where they are having impact on behavior, knowledge and/or confidence, where students are engaged and where improvements need to be made.



KNOW YOUR FINANCIAL IDENTITY

The Financial Identity Quiz is a research-based tool intended for teens and young adults (approximately ages 16-24) to determine where they are on their path to financial independence. It also can be a great conversation starter for parents to begin transferring financial responsibilities.

Visit www.SmartAboutMoney.org or www.FinancialIdentityQuiz.org to take the quiz.

NEFE Board Welcomes New Leadership and Two New Members

Two new members join NEFE's Board of Trustees: Kevin Plummer, head of school at Tampa Preparatory School in Tampa, Fla., and Greg Maged, co-founder and CEO of Maryland-based Bicycle Financial. Each will serve an initial three-year term on the 13-member board.

The board also welcomes a new chair, Michael Bedke, partner at Tampa-based DLA Piper Law, and a new vice chair, Mary "Merrell" Bailey, managing partner of Your Caring Law Firm in Maitland, Fla.



Kevin Plummer



Greg Maged



Michael Bedke



Mary "Merrell" Bailey

In January, the two new board members and newly appointed chair attended a day-long orientation at NEFE's headquarters in downtown Denver where they met NEFE staff and shared stories of how personal finance has affected their lives.

Plummer grew up in Denver and attended high school at Colorado Academy before graduating from Colby College, where he was named a Lacrosse All-American. He received the prestigious Klingenstein Fellowship at the Teachers College of Columbia University, where he earned a Master of Education Administration in 1999.

As the only independent school in Tampa that is not faith-based, Tampa Prep has a diverse student body, including strong ties to nearby MacDill Military Base. In the eight years that Plummer has been head of school, Tampa Prep became an iPad one-to-one school, earning it the Apple Distinguished School designation. Most importantly, Plummer says his school encourages every student not only to achieve academically, but personally.

With his appointment to the NEFE Board, Plummer is excited to add financial capability to his student body's skill set.

"Mean does not work in our school at all. Kindness allows our kids to have all sorts of diversity among themselves and they appreciate one another for their humanity, while celebrating themselves for their skills and passion," Plummer says.

Greg Maged earned his bachelor's degree from Stanford University and an MBA from The Wharton School. His earlier career included positions in Japan, Houston and San Francisco, where Maged was an executive with Charles Schwab.

Inspired to make finance more accessible, Maged co-founded his own company, Bicycle Financial, in 2012. Maged now lives outside Washington, D.C. with his wife, financial literacy advocate and author Sharon Kedar.

In his own company and his work with NEFE, Maged says he hopes to help demystify personal finance, with compassion for the emotional baggage often attached to financial issues.

In his former client-facing role at Charles Schwab, Maged says he saw "how profoundly people were lost" in managing their own finances, which drove home the need to educate about basic concepts such as compound interest. "It's amazing that young people have such an opportunity to save and grow their wealth, but they need to understand what to do to take advantage of it."

NEFE President and CEO Ted Beck welcomes the new board members, saying that they each bring valuable insights.

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“Kevin’s experience as a high school educator, and Greg’s unique financial strategy skills will be important resources for NEFE at this point in our history.”

As board chair, Michael Bedke is excited about two forward-thinking initiatives for 2016:

First, current and former board members as well as current staff will form a task force to tackle the question, “What can and should NEFE be in 10 years?” — an initiative that will help inform and shape NEFE’s strategic vision to stay relevant in the coming decade.

Second, with a grant from the Florida Attorney General, NEFE will implement a pilot financial coaching project that will make a meaningful positive difference in the lives of the underserved community while gathering important data about effective coaching models.

With an ambitious agenda, new leadership and two passionate new board members, 2016 will be “an exciting year at NEFE,” Bedke says. 



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HOLIDAY CLOSINGS

NEFE will be closed March 25 for Good Friday and May 30 for Memorial Day.

Stop by our booth or look for us at the following conferences:



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| Commonfund Forum | Feb. 28-Mar. 2 | Orlando, Fla. | California Community Colleges Student Financial Aid Administrators Association (CCCSFAAA) Annual Conference | Apr. 5-8 | San Diego |
| Educause Annual Conference | Mar. 2-5 | Denver | Public Library Association (PLA) Conference | Apr. 6-8 | Denver |
| 2016 Alabama Money Expo (ME16) | Mar. 4-5 | Birmingham, Ala. | American Association of Community Colleges (AACC) Annual Convention | Apr. 9-12 | Chicago |
| Women’s Institute for a Secure Retirement (WISER) Retirement Income Forum | Mar. 10 | Minneapolis | Commission on Adult Basic Education (COABE) | Apr. 9-13 | Dallas |
| Student Affairs Administrators in Higher Education (NASPA) Annual Conference | Mar. 13-15 | Indianapolis | Cherry Blossom Institute | Apr. 14-15 | Washington, D.C. |
| Radio Television Digital News Foundation (RTDNF) First Amendment Awards | Mar. 16 | Washington, D.C. | Grantmakers for Effective Organizations (GEO) National Conference | May 2-5 | Minneapolis |
| Aging in America Conference (American Society on Aging) | Mar. 22-24 | Washington, D.C. | Florida Literacy Coalition | May 4-6 | St. Petersburg, Fla. |
| National Business Education Association (NBEA) Annual Convention | Mar. 22-26 | Las Vegas, Nev. | National Savings Forum | May 18 | Washington, D.C. |
| Service Learning Conference | Mar. 30-Apr. 2 | Minneapolis | Society of Business Editors and Writers (SABEW) Conference | May 19-20 | Washington, D.C. |
| NEFE/Consumer Financial Protection Bureau (CFPB) FinEx Convening | Apr. 4 | Denver | FDIC Advisory Committee on Economic Inclusion | May 25 | Washington, D.C. |
| Jump\$tart Financial Literacy Hill Day | Apr. 5 | Washington, D.C. | National Institute for Staff and Organizational Development (NISOD) Conference | May 28-31 | Austin, Texas |

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