

# Nefe Digest

March/April 2008

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## NEFE CEO Appointed to President's Council on Financial Literacy



**P**resident George W. Bush announced on January 22 that he signed an executive order to establish an advisory council within the U.S. Department of Treasury. The 16-member Council, including Ted Beck, president and CEO of the National Endowment for Financial Education® (NEFE®), has been charged with prescribing recommendations on better educating the public on matters related to their finances and their future. Tapped to lead the council was brokerage company founder Charles Schwab, chairman and CEO of Charles Schwab & Company, Inc.



NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION

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# Values and Social Influences Drive People's Financial Decisions

A woman attends a seminar about her company's 401(k) plan, intends to start contributing to it, but instead decides to pay her mother-in-law's medical bills. How did the woman reach this decision? Was her choice a poor one, and does it prove that her financial education failed?



Lois Vitt, Ph.D.

The Institute for Socio-Financial Studies (ISFS) in Middleburg, Va., is helping to answer these and related questions as the result of a 14-month research grant funded by NEFE. The project, "Social Influence and Consumer Financial Behavior: Going Beyond the Financial Facts," involved an extensive review of current research from various disciplines on how people make financial decisions, and described the social influences that impact consumers' financial behavior. Based on the findings, project researchers will develop a handbook of practical suggestions and tools to help educators and financial planners encourage consumers to adopt healthier financial behaviors.

The following is an interview about the project with ISFS founding director, Lois Vitt, Ph.D.

**Digest:** Based on the research, what is your theory on how we make financial decisions?

**Vitt:** We think about our finances and make financial decisions based primarily on what we most value in the non-financial areas of our lives. Therefore, simply having the financial facts — even if those facts relate directly to our personal financial situation — can be surprisingly insufficient

to change our financial behaviors. To influence a lasting change in financial behavior, educators and financial planners must take into account people's perceptions, feelings, and values, all of which are formed in social and cultural contexts. For example, we Americans live in a spending culture where we've grown up thinking that we can have what we want today and not worry about tomorrow. What we're teaching is: "don't buy that latte and save your money, or you risk impoverishment tomorrow." A better message might be: "have one or two fewer lattes each week and discover the alternative pleasure that can come from saving the difference and watching it grow."

**Digest:** How does the theory help explain why the woman in our illustration did not contribute to her 401(k) plan, even though she had received financial literacy education?

**Vitt:** The theory underscores the importance of looking beyond a consumer's actions. For example, the woman may have intended to start her 401(k) plan after attending the class, but when she went home her husband reminded her of the couple's promise to help pay his mom's medical bills. So in this case, we can't say that her financial education failed. We can't even say that the woman made a poor decision. Rather, we must understand the social and cultural contexts in which that decision was made, and then adapt how we approach financial literacy education accordingly. We also must do a better job of tapping into the inner and social life dimensions where people's financial behavior is shaped in the first place.

**Digest:** Does your research describe these dimensions?

**Vitt:** Yes, as part of the research, we developed two models to illustrate what we have learned. The first model diagrams the many social influences on consumer financial behavior, from one's family and the media to one's social class and culture (Figure 1). The second model shows how people filter their decisions through their values, often at lightning speed

## HOLIDAY CLOSINGS

NEFE will be closed on March 21 for Good Friday.

Figure 1

**Flows of Social Influence on Consumer Financial Behavior**

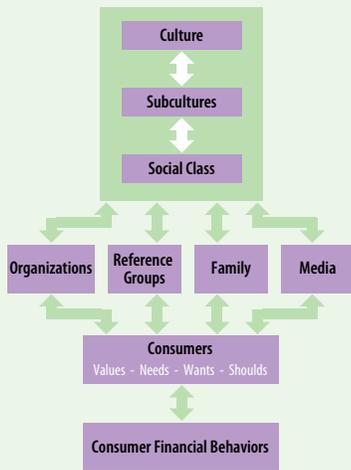
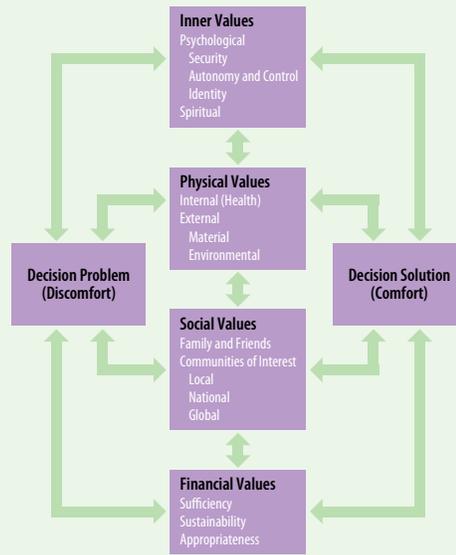


Figure 2

**LifeValues™ Consumer Decision Model**



education *will* work with time and patience. However, as I mentioned earlier, educators and planners must take into account the impact of social influences and personal values on people’s decisions if they want to affect behavior change. In addition, it’s critical to set clearly defined goals for financial education efforts and evaluate outcomes against these goals, rather than measuring one criterion, such as 401(k) participation rates. As part of the project, we are developing a handbook for educators and planners with practical guidelines for incorporating these principles into their work.

**Digest:** How will consumers benefit?

**Vitt:** The approach we’re suggesting will help consumers become more mindful of how they make financial

and with little awareness (Figure 2).

**Digest:** Moving from the theoretical to the practical, what can educators and financial planners gain from your findings?

**Vitt:** I hope that educators and planners will use this research to counter those who claim that financial literacy education fails if it does not result in behavior change immediately. Unfortunately, there’s been a rush to that conclusion, and some of these critics are very influential. Our research suggests reason for optimism that financial

decisions. As a result, they will gain insights into when their decisions are in line with their values, when they are not, and what they can do to turn self-defeating financial behaviors into behaviors that result in improved financial well-being.

**Digest:** Thank you, Dr. Vitt. We’re looking forward to telling our readers more about the handbook when it becomes available soon. For more information about the NEFE Grants program, go to [www.nefe.org/grantmaking](http://www.nefe.org/grantmaking).

To learn more about the ISFS, visit [www.isfs.org](http://www.isfs.org).

**President’s Council**

*Continued from page 1*

Following his appointment, Beck said, “The need for financial literacy has rapidly evolved into one of the most relevant issues for the American public and I commend President Bush for his efforts in addressing this concern. I am honored to represent NEFE on the Council — a group of highly-respected leaders in the fields of financial services, outreach, and education — who understand that with access to reliable resources all Americans are capable of learning how to take control of their financial lives.”

The Council, which will serve for two years, will advise President Bush and the Treasury Department on goals for:

- improving financial education efforts to youth in school and adults in the workplace
- promoting effective access to financial services
- establishing measures of national financial literacy
- conducting research on the extent of financial knowledge among individuals
- strengthening and coordinating public and private sector financial education programs

Those joining Beck on the President’s Advisory Council on Financial Literacy include: John Hope Bryant (named vice chair of the council), chairman and founder of Operation HOPE, Inc.; Laura Levine, executive director of the Jump\$tart Coalition for Personal Financial Literacy; Robert Duvall, president and CEO of the National Council on Economic Education; Ted Daniels, founder and president of the Society for Financial Education and Personal Development; David Mancl, chairman of the Wisconsin State Jump\$tart Coalition, Wisconsin Department of Financial Institutions; and Jack Kosakowski, executive vice president and chief operating officer of JA Worldwide (Junior Achievement).

“If we want America to be as hopeful a place as it can be, we want people owning assets...we want people to be able to manage their assets. We want people to understand basic financial concepts. This group of citizens has taken the lead, and I really thank them,” said President Bush in introducing the Council. “When we look back at this Council, people will say we’re glad that the administration took the action it took because somebody’s life is going to be better as a result of it.” To learn more about future activities involving the President’s Council on Financial Literacy, visit [www.nefe.org](http://www.nefe.org).

# Two New Members Join NEFE Board



John Woerner and Martin Jaffe, CFP®, meet in Denver for their Board orientation.

**N**EFE welcomes Martin Jaffe, CFP®, chief operating officer of the New York-based Silvercrest Asset Management Group, LLC, and John Woerner, senior vice president of strategy and business development at Minneapolis-based Ameriprise Financial Services, Inc., to its Board of Trustees. Over the next three years, Jaffe and Woerner will serve on the 16-member Board, a group representing expertise in a variety of disciplines including financial services, education, and communications.

“As we continue our commitment of providing people from all walks of life with the tools necessary to achieve their financial independence, it is a tremendous advantage to have a solid assembly of trustees on our Board,” said Ted Beck, president and CEO of NEFE. “With their enthusiasm and superior backgrounds, the addition of Mr. Woerner and Mr. Jaffe boosts the exceptional leadership already in place.”

## **Martin Jaffe, CFP®**

The arena of financial education is familiar to Jaffe, who is a long-time participant and board member of the International Association for Financial Planning (now known as the Financial Planning Association), of which he held the post of president and chairman of the board from 1994 to 1996. He also served as chairman of the Foundation for Financial Planning (FFP) and currently is the chairman of the New York City College of Technology Foundation. In addition, he previously spent more than 20 years as an adjunct associate professor of financial planning at New York University.

After receiving his MBA from Pace University in New York, Jaffe began his career serving as the chief financial planning officer at the U.S. Trust Company, chief operating officer of DLJ Asset Management Group, and then as chief financial officer of Credit Suisse Asset Management, LLC. In 2002, Jaffe co-founded Silvercrest, a wealth management firm that oversees more than \$8.5 billion in assets.

“I am excited at the opportunity to participate in the extremely important public service mission of NEFE — a pursuit which is guiding Americans toward a more secure future,” said Jaffe. “My entire professional career has been

focused on helping people make smart financial decisions, and this appointment will allow me to continue this activity on a much broader scale.”

## **John Woerner**

Throughout his career, Woerner has had a passion and interest in financial matters. Prior to joining Ameriprise Financial, Woerner served as a leader within McKinsey and Company, and was one of the founders of McKinsey’s Retirement Initiative, a multi-year effort addressing opportunities in the financial services industry to fulfill the retirement needs of consumers. He developed a wide-ranging knowledge of creating and executing strategies for leading financial services firms in North America and Europe. Additionally, he has worked across a variety of disciplines, including domestic and international asset management expansion, retail advisor performance improvement, and retirement product innovation.

In 2005, Woerner joined Ameriprise Financial, America’s largest financial planning firm which works with more than 2.8 million individual, business, and institutional clients and handles \$492 billion in owned, managed, and administered assets as of September 2007. As an executive of Ameriprise, Woerner works across the firm to help identify ways to better serve the needs of American consumers. Woerner holds a bachelor’s degree in finance from Pennsylvania State University and an MBA from the Wharton School at the University of Pennsylvania.

“I am honored to be associated with NEFE. I have admired this group’s unique mission in the nonprofit sector of helping people gain confidence when it comes to managing their money,” said Woerner on his appointment. “I look forward to working with NEFE to continue to broaden and deepen the positive impact that financial well-being can have on all Americans, ultimately helping them realize a secure future for themselves and their families.”

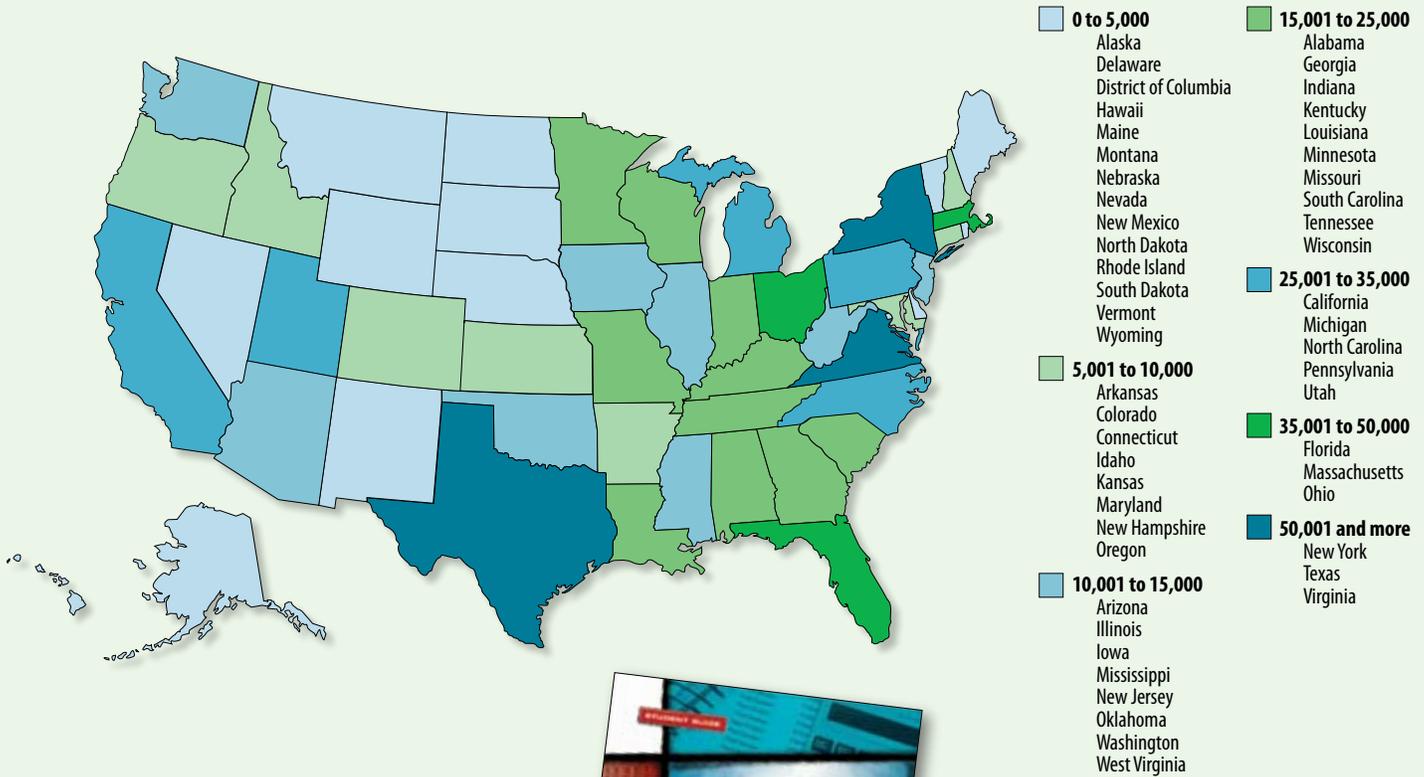
Jaffe and Woerner will participate in their first full NEFE Board meeting in April.

## **UPCOMING GRANT DEADLINES**

Foundation for Financial Planning (FFP) Grants Program	April 30, 2008
FINRA Investor Education Foundation Grants Program	May 2, 2008
NEFE Grants Information Conference Calls	May 7 and 9, 2008
NEFE Grants Program	June 3, 2008
FINRA Investor Education Foundation Grants Program	July 12, 2008

For more information about these grants programs, visit [www.nefe.org/grantmaking](http://www.nefe.org/grantmaking).

# HSFPP Orders Grow in Past Year



The revised NEFE High School Financial Planning Program® (HSFPP) had a huge launch year in 2007 with the total number of books shipped reaching 861,664 and the new guides making up the majority of that number with 745,069 books.



The total number of books shipped in 2007 represents a 36 percent increase over the previous record year in 2005. To learn more about the HSFPP and its achievements this year, visit [hsfpp.nefe.org](http://hsfpp.nefe.org).

## ADD YOUR NAME TO OR REMOVE IT FROM OUR MAILING LIST

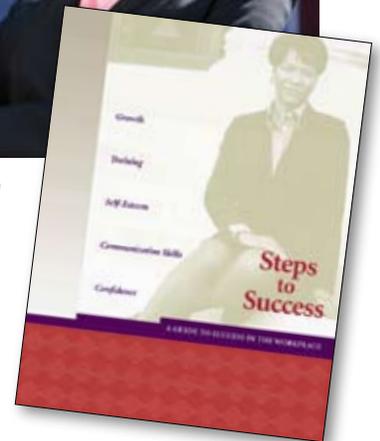
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Remove your name from our list by visiting [www.nefe.org/unsubscribe](http://www.nefe.org/unsubscribe).

## Dress for Success and NEFE Stepping Out in Style

NEFE and Dress for Success® have redesigned the collaborative booklet, *Steps to Success*, and issued a second printing of 75,000 with funding from the Green Foundation. Since 2005, Dress for Success has distributed 25,000 copies of the first edition of the booklet. The revised booklet can be found at [www.smartaboutmoney.org/stepstosuccess](http://www.smartaboutmoney.org/stepstosuccess).

To learn more about Dress for Success, visit [www.dressforsuccess.org](http://www.dressforsuccess.org).



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## Updates on Two Major NEFE Projects

**N**EFÉ's **Retirement Decumulation Think Tank** (as highlighted in the January/February 2008 issue of the *Digest*) may be over, but post-think tank work has just begun. Currently, NEFE's Strategic Programs and Alliances staff are reviewing and compiling the ideas, recommendations, and messaging that resulted from the think tank. Think tank participants will examine the work for accuracy and provide further insight. As this project continues, look to future *Digests* for updates.

**CashCourse**, the financial education Web site for young adults, was recently promoted to college, university, and alumni association administrators in an effort to increase the number of higher institutions signing up to offer it to their students. Enrollment in the program also was triggered by an article that the National Association of Student Financial Aid Administrators (NASFAA) sent its members. Currently, 54 schools are enrolled in the program (for a sample, view the

Participating Schools list below). To read the NASFAA article and learn more about CashCourse, visit [www.CashCourse.org](http://www.CashCourse.org) and go to the Benefits section.

### CashCourse Participating Schools Include:

Alabama A & M	Union College
Berklee College of Music	University of California – Merced
Kansas State University	University of Illinois Alumni Association
Meredith College	University of Iowa
Michigan State University Alumni Association	University of Missouri
Northwestern University	University of Virginia
Penn State University	University of Wisconsin Alumni Association
Rutgers University	
The Ohio State University	

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The mission of the National Endowment for Financial Education is to help Americans acquire the knowledge and skills necessary to take control of their financial destiny.

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All questions regarding *NEFE Digest* may be addressed to the Marketing and Communications department. Editor: Ayelet Drori. NEFE is open Monday through Friday, from 8:30 a.m. to 5:00 p.m. Mountain Time. The main telephone number is (303) 741-6333; the fax number is (303) 220-0838. Visit the NEFE Web site at [www.nefe.org](http://www.nefe.org).