

# Nefe Digest

March/April 2012

## NEFE-Backed Research Shows Power of Financial Literacy

### Intervention Helps Americans Considering Debt Consolidation

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NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

“**D**rowning in debt? Consider a no-hassle debt consolidation loan, which can reduce your monthly payments and interest rate, cut down on the total amount you owe, and, most importantly, get debt collectors off your back.”

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*“When consumers are given the full picture of financial products and solutions, they make more informed and beneficial decisions for their financial situations.”*

– Ted Beck

Such is the sell enticing many debt-laden Americans to consider this debt management solution. Not only do these advertisements make debt consolidation loans (DCLs) more favorable to consumers, but also they could prompt consumers to continue with risky behaviors rather than take the steps necessary to combat their debt.

This is according to new research funded by the National Endowment for Financial Education (NEFE), which sought to verify and counteract this “boomerang effect” of DCL marketing. The researchers created a financial literacy intervention that gave consumers full disclosure on DCLs and transformed their decision making about loans and managing debt.

“When consumers are given the full picture of financial products and solutions, they make more informed and beneficial decisions for their financial situations,” says Ted Beck, president and CEO of NEFE. “This research has proven this point, demonstrating the importance of financial literacy.”



## Drowning in Debt?

With a **Debt.com** Consolidation Loan!

**REDUCE YOUR DEBT • LOAN APPROVAL IS NO-HASSLE**

**Debt.com** is a debt consolidation program offered by various banks and financial institutions. With **Debt.com**, you can combine credit card, bank card, store and gas card, and other card-related debt into one monthly payment.



Thank you **Debt.com**  
You were a real lifesaver!

The advantages of **Debt.com** may include:

- Pay less each month
- Lower your interest rates
- Reduce the amount of debt owed
- Free consultation with qualified counselors
- 15-minute online application or toll-free call
- No waiting period or up-front fees
- Eliminate creditor harassment
- Repair your credit record
- Avoid foreclosure/bankruptcy

Visit **Debt.com** or call **1-800-555-5555** for more info about loan consolidation...  
and live a **Debt.com** life!

### One-Sided Marketing

A DCL combines a consumer’s multiple debts into a single loan. Typically, these loans have a longer loan term, resulting in a lower monthly payment for the consumer. What many people do not realize is that the stretching out of the loan term leaves them with a greater overall debt burden, which must be endured for a longer time.

But the advertisements for DCLs often do not disclose this detail to consumers. Nor will they give people information about hidden fees and penalties they might incur. Instead, most ads focus on the upsides of DCLs, namely the immediate short-term relief of lower monthly payments.

According to the research, conducted at Pennsylvania State University, Duke University, and the University of Florida from 2008 to 2011, this makes DCLs seem like “get-out-of-jail-free cards,” and may cause consumers to continue to spend and borrow beyond their means.

“These loans seem like a sure way to avoid being burdened with debt problems, showing you if you do run into trouble, you can get a DCL,” says Lisa Bolton, Ph.D., an associate

# Debt in your future? Learn the truth about lenders!



## The fundamental truth about lenders:

Lenders are really sellers who act in their best interest, **not yours**. For example:

- Just because a lender is willing to sell you a loan doesn't mean you can afford it. Lenders are perfectly willing to let you overextend, knowing that you'll probably forego vacations, retirement savings, and even essentials rather than default on your loan.
- Lenders aren't obligated to offer you the best terms available. Treat loans like you would any other purchase and view lenders like salespeople: after all, the lender is trying to sell you the loan!

## More truths about debt consolidators:

**Buyer Beware!**

- Consolidators may hit you with fees, penalties, and hidden costs.
- They may pressure you into a plan or make guarantees without looking into your specific needs.
- These lenders may masquerade as nonprofits but funnel funds to for-profit companies and/or defraud consumers.
- Consolidators may "take your money and run" (by asking for payment up front and then not delivering on the loan).

**Don't count on debt consolidators to come to your rescue!  
When it comes to debt, these lenders aren't the solution.**

The best way to manage your debt is to make a financial plan and stick to it.  
For more information on how to manage your debt and how to consult a real credit counselor, visit [www.ftc.gov/bcp/menus/consumer/credit/debt.shtm](http://www.ftc.gov/bcp/menus/consumer/credit/debt.shtm).

Researchers created a fictitious ad to mimic and test real-world marketing for debt consolidation loans (left). They then developed and tested ads for their financial literacy invention, which provided full disclosure on lenders (right) and loans.

professor of marketing at Pennsylvania State University, who led the research. "Just being exposed to that kind of message, you tend to relax, loosen the reins on your spending, and avoid taking actions needed to reduce debt, such as cutting back on credit card use and setting up a workable budget."

## Empowering Consumers

To offset the negative impact of this one-sided marketing, Bolton along with Joel Cohen, Ph.D., a distinguished service professor emeritus at the University of Florida, and Paul Bloom, Ph.D., an adjunct professor of social entrepreneurship and marketing at Duke University, created a financial literacy intervention.

The researchers created their own DCL ads and tested them with a commercial panel of college students and adult consumers. The ads included information about how loans work and the relationship between APR, loan lengths and monthly payments, and total interest paid. They also provided consumers with information about lenders, including how and why lenders act the way they do, emphasizing that lenders are sellers who act in the best interest of the organizations they represent.

After viewing information on both loans and lenders, consumers reported:

- Better intentions of engaging in positive money management, including being more likely to save, avoid debt, and budget their finances carefully
- A reduced likelihood of favoring or trying DCLs
- A better understanding of the importance of interest paid in loan decisions

"This intervention helps people fully understand the importance of careful money management," says Bolton. "It's about empowering consumers to make better decisions and to know what they are facing with these products."

For others interested in educating consumers on DCLs, the researchers created a 9-minute video that presents the combined loan literacy and lender literacy informational intervention.

To access the video and learn more about the research, visit [www.nefe.org/research/neferesearch/debtconsolidationloanresearch](http://www.nefe.org/research/neferesearch/debtconsolidationloanresearch).

# Teacher Training Program Generates Lasting Success

## Follow-Up Reveals Increased Financial Capability in Educators

When 144 K-12 teachers arrived at their training in Westminster, Colo. in January 2011, all of them were interested in teaching financial education in their classrooms, but just over half (52 percent) had done so. They were perfect candidates for a new program called Fiscal Fitness, which NEFE helped design to train teachers in the principles of personal finance so that, in turn, they can effectively teach these concepts to their students.



Six months after the training, 86 percent of the teachers who attended reported they had integrated financial education into their classrooms—a 65 percent increase. Furthermore, more teachers had reviewed their credit reports, examined retirement goals, compared prices on insurance policies, and checked their pay stubs for errors than prior to the training.

“Teachers are applying what they’ve learned to their personal lives, and that’s showing up in the classroom—in their instruction and in their confidence level teaching finance topics,” says Billy Hensley, Ph.D., director of education for NEFE.

### Personal Finance Primer

The success of the training is positive news for a field that is desperate to get teachers up to speed. Forty-four states have established standards or guidelines for teaching personal finance in K-12 schools. However, less than 20 percent of teachers feel qualified to teach personal finance basics, according to a 2009 NEFE-funded study at the University of Wisconsin–Madison.

In response, NEFE has teamed up with the Jump\$tart Coalition for Personal Financial Literacy and six other national organizations, collectively the Jump\$tart Teacher Training Alliance, to design and lead Fiscal Fitness pilots. Each three-day training covers savings, debt, credit, and other principles of money management, and the Alliance has tested variations of the training in Illinois, Vermont, Arizona, and again in Colorado in January.

“We refine the model based on observations and assessments at each pilot,” says Hensley. “Our findings continue to demonstrate the impact that content-driven professional development has on the need to increase K-12 teachers’ confidence to teach personal finance.”

The Alliance will host its fifth and final pilot in South Carolina in April, where it will incorporate and test distance learning elements. It plans to make the program widely available in late 2012 or early 2013.

To learn more about the program, visit [www.jumpstart.org/teacher-training-alliance](http://www.jumpstart.org/teacher-training-alliance).

## Before and After: Direct from Participants



“I have the knowledge necessary to effectively teach my students about personal finance.”

Before workshop – 36 percent agreed or strongly agreed  
Six months later – 78 percent agreed or strongly agreed



“I have stuck to a financial spending plan or a monthly budget during the past six months.”

Before workshop – 42 percent said “yes”  
Six months later – 67 percent said “yes”



“I have calculated how much money I would like to have saved by the time I retire, and I am making corresponding contributions to a retirement account.”

Before workshop – 30 percent said “yes”  
Six months later – 70 percent said “yes”

Pictured: Participants in the January 2011 Fiscal Fitness workshop in Westminster, Colo.

From the Desk of Billy Hensley, Ph.D.,  
Director of Education for NEFE



# Creating a Culture of Evaluation

I have been at NEFE nearly two years, and one topic that I hear discussed at practically every meeting or event I attend is evaluation. Not only is this because it is a prevalent topic in foundation circles, but also because in an era of accountability and diminished funding, and within the task of increasing the financial capability of Americans, evaluating impact is essential.

Yet, too few instructors and nonprofit organizations have assessed the impact of their financial literacy programs. This is not due to a shortage of interest or intent, but, in large part, due to a lack of capacity. The jargon of evaluation alone is daunting; when added to that, the limited backgrounds most people have in assessing confidence, knowledge, and behavior change, the state of evaluation is not surprising.

*“In an era of accountability and diminished funding, and within the task of increasing the financial capability of Americans, evaluating impact is essential.”*

But the outlook on evaluation is not hopeless. Many nonprofits, government agencies, and educators have taken the time to learn, implement, and disseminate evaluation strategies. Still, those of us who work closely with or speak for researchers, program providers, and funders also have a standard to set. Without clear metrics and benchmarks, most educators and nonprofit professionals are left to falter.

## What Evaluation Can Do

The level that evaluation can set for financial educators not only will boost the capability of programs, but also will provide them and others with keen insight into program strengths and weaknesses. More importantly, assessments of programs create a distinction for consumers, helping them sort through the myriad available programs in a field that already is cluttered and confusing to those we seek to serve. In order to be good stewards of the many objectives that the members of this community represent, it is important to seek out and showcase informed programmatic and instructional data on evaluation.

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NEFE did this when it created the NEFE Financial Education Evaluation Toolkit® (<http://toolkit.nefe.org>) in 2007, and again when it streamlined and enhanced the resource in 2011. The Toolkit design is based on feedback from educators about the barriers to evaluation and what an ideal evaluation tool should look like. NEFE also has participated in and led discussions about evaluation and certification, and plans to continue

facilitating these conversations; however, these efforts are only the beginning of addressing this issue.

## Evaluation Amplifies Quality

By building a culture of evaluation, the expectations for continuous improvement become ingrained in what each of us does daily; thus, the myth that any of us holds the single programmatic solution to the complex issues of financial capability becomes demystified. If the financial education community is expected to fulfill its mission, then it must set a standard that strives for articulated goals, pledge to evaluate its effectiveness in reaching those goals, and use what it learns to improve programs.

To learn more about NEFE's research and thought leadership, visit [www.nefe.org/research](http://www.nefe.org/research).

Share your thoughts on evaluation by emailing [marcom@nefe.org](mailto:marcom@nefe.org).



## Faces Behind NEFE: **Mary Hoch**, Manager Strategic Programs and Alliances

**M**ary Hoch joined NEFE in 2007 through its Fellows Program, which NEFE established to attract young people to the nonprofit sector and give them experience in nonprofit management and personal finance. The attraction stuck, and Hoch has spent the past five years working on NEFE's collaborations with other nonprofit organizations, government affairs communications, and consumer education.

### **If you were to describe your job to a fifth grader, what would you say?**

**Hoch:** Money is a part of everyone's lives, and no matter how much money you have, where you live, or what your life circumstances are, you have to make decisions about money. I work with an organization that provides free and trusted information to people about how to understand their finances and make the best decisions for themselves. My job is to make sure people know about and have access to these tools and resources through partner organizations, government initiatives, and consumer outreach.

### **What has been an accomplishment you're most proud of from your time at NEFE?**

**Hoch:** I'm very proud of my ownership in NEFE's initiative in retirement income decumulation, from conception to completion to promotion. The project started with research NEFE commissioned from the Center for Retirement Research. This research became the basis for a think tank, which brought together more than 20 national experts. And the think tank led to strategic messaging, a white paper, journal articles, congressional testimony, and the development of the My Retirement Paycheck website ([www.myretirementpaycheck.org](http://www.myretirementpaycheck.org)). It has been incredibly rewarding to develop such an important NEFE resource from the ground up.

### **What would you most like to achieve while at NEFE?**

**Hoch:** NEFE has proven itself as a great content provider, and I want to continue to improve the effectiveness and impact of that content on populations that need it most. As we learn more about how people engage with information and their finances, I want to make sure we're delivering and presenting content in ways that facilitate understanding, empowerment, and action.

### **What personally drove you toward financial education nonprofit work or nonprofit work in general?**

**Hoch:** General nonprofit work always has appealed to me, as I want my time and efforts to truly make a difference in people's lives and serve the greater good. However, it took me a bit longer to see the true value of financial education. The recession is what hit it home for me: At the time, I was beginning my journey toward financial independence and experiencing my first financial realities of adulthood. I saw consequences of financial decision making all around me, and finally understood "financial well-being" as more than an abstraction. I wanted to do everything I could to prevent people from making life-altering mistakes because they were uninformed or didn't have a safe place to get the help they needed.

### **Can you describe one special memory that you have from your work with NEFE?**

**Hoch:** In 2007, I went on a site visit for the sole purpose of seeing NEFE's work used in the field. I visited the Dress for Success Worldwide headquarters to get a feel for the organization, talk to its executives, tour its boutique, and attend a professional women's group meeting, during which it used *Steps to Success*, a career development tool created in partnership with NEFE. I was truly inspired by the stories of women who were on their way to building careers and achieving self-sufficiency, and seeing NEFE's work fill such a practical need.



# Council Tackles Workplace Financial Education

## Responds to Needs in “Emergency Room of Life”

**M**embers of the President’s Advisory Council on Financial Capability, including NEFE President and CEO Ted Beck, highlighted the importance of financial education provided to Americans in the workplace at its January 19 meeting in Washington, D.C. The Council unanimously approved a recommendation for President Barack Obama to issue an Executive Order to improve the financial capability of the employees of the nation’s largest employer—the federal government.

Guest speakers included a panel of innovative employers sharing their workplace financial education initiatives. When asked what influenced him to focus on his employees’ financial capability, panel member Steve Bigari, CEO of Stellar Restaurant Solutions and former McDonald’s franchisee, said that it was his exposure to “the emergency room of life.”

“It becomes real to you when you go to pick up an employee for work and she’s living in a broken-down car with two children,” said Bigari.



Members of the President’s Advisory Council on Financial Capability meet with President Barack Obama at the White House in November 2011.

The Council plans to expand its recommendations for workplace financial education into the private sector and through a blueprint for communities that will help them create strong programs for their citizens.

The Research and Evaluation Subcommittee, which Beck chairs, will continue its work with government agencies to develop a flexible list of national research priorities, and to identify funding sources for researchers in the field.

The Council’s Interim Report details additional plans for this year. The next public meeting of the Council is April 9.

To access the Interim Report, visit [www.treasury.gov/resource-center/financial-education/Documents/PACFC%20Interim%20Report%2001-18-12%20Final.pdf](http://www.treasury.gov/resource-center/financial-education/Documents/PACFC%20Interim%20Report%2001-18-12%20Final.pdf). For more information about the Council, visit [www.treasury.gov/resource-center/financial-education/Pages/Advisory.aspx](http://www.treasury.gov/resource-center/financial-education/Pages/Advisory.aspx).

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- Check the box next to “Electronic NEFE Digest.”

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### What Do Your Students Know About Money? Find Out With the Challenge

The National Financial Capability Challenge is an awards program designed to increase awareness of the financial knowledge and capability of high school students across the country. Held by the U.S. Department of the Treasury in coordination with the U.S. Department of Education from March 12 to April 13, the Challenge helps high school teachers and other educators teach personal finance basics to their students.

#### For teachers and after-school programs:

The Challenge provides free, ready-to-use lesson plans on core competencies in financial education and an online exam to test what students learned.

**For students:** The Challenge gives students ages 13-19 the opportunity to increase their financial capability and to see how their money smarts stack up to their peers’.

**As an added bonus:** The Challenge awards certificates to educators and top-scoring students, and special distinctions to top-participating schools and states.



**2,517** = number of educators who participated in 2011



**84,372** = number of students who participated in 2011

Learn more and register at [www.challenge.treas.gov](http://www.challenge.treas.gov).



## High School Program Receives High Praise

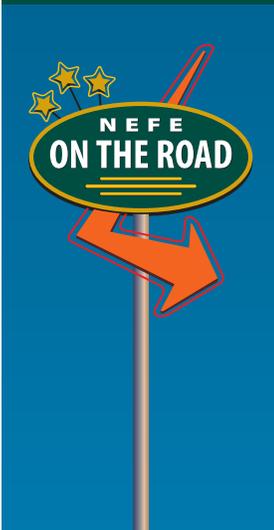
The National Business Education Association (NBEA) has recommended NEFE as one of three resources it encourages business teachers to use for instruction in personal financial literacy. NEFE, along with the Jump\$tart Coalition for Personal Financial Literacy and [www.mymoney.gov](http://www.mymoney.gov), was recognized specifically for its extensive resources and curricula tied to state standards, in the NEFE High School Financial Planning Program® (HSFPP). Learn more about the HSFPP at [www.hsfpp.org](http://www.hsfpp.org).



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Radio-Television Digital News Foundation (RTDNF) First Amendment Awards Dinner . . . . .	March 15	Washington, D.C.
Consumer Federation of America (CFA) Consumer Assembly . . . . .	March 15–16	Washington, D.C.
Society of American Business Editors and Writers (SABEW) Annual Conference . . . . .	March 15–17	Indianapolis, Ind.
Credit Union National Association (CUNA) Governmental Affairs Conference . . . . .	March 18–22	Washington, D.C.
Grants Managers Network (GMN) Annual Conference . . . . .	March 19–21	San Antonio, Texas
The Salvation Army National Social Services and Disaster Management Conference. . . . .	March 23–27	Glendale, Ariz.
American Society on Aging (ASA) Annual Conference. . . . .	March 28–April 1	Washington, D.C.
Assets and Education Research Symposium . . . . .	March 29–30	Lawrence, Kan.
National Business Education Association (NBEA) Annual Convention . . . . .	April 3–7	Boston, Mass.
New York Stock Exchange Bell Ringing . . . . .	April 10	New York, N.Y.
American Council on Consumer Interests (ACCI) Annual Conference . . . . .	April 11–13	Memphis, Tenn.
American Educational Research Association (AERA) Annual Meeting . . . . .	April 13–17	Vancouver, B.C.
National Council of Teachers of Mathematics (NCTM) Annual Meeting and Expo . . . . .	April 25–28	Philadelphia, Pa.

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