

# Nefe Digest

September/October 2008

## Breaking the Cycle (Page 2)

Faces behind NEFE

Clair Diones: Web and Special Projects Extraordinaire (Page 3)

Testifying on Capitol Hill (Page 5)

CashCourse: Year One Milestones  
(Page 5)

National Financial Literacy Challenge  
Offered in the Fall (Page 6)



## Retirement Uncertainties A National Call for Action

**G**etting to that first day of retirement is much more complicated than just picking up the gold watch, final check, and settling down to a leisurely life of traveling the world and playing golf. Brent A. Neiser, CFP®, director for the National Endowment for Financial Education® (NEFE®) Strategic Programs and Alliances department and chief organizer of NEFE's Retirement Income Decumulation Think Tank, says soon-to-be-retirees have a number of questions they need to answer for themselves before actually "pulling the retirement trigger."

*Continued on page 4*



NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION

# Breaking the Cycle

**W**hat do a construction boss, a Hispanic father, high school teachers, and prison officials have in common? In Idaho, they all have learned to teach others how to manage their money properly through the NEFE High School Financial Planning Program® (HSFPP).

"We had people from all walks of life attend," says LaRaye O'Brien of the Idaho Credit Union League, referring to the HSFPP training session she and Lyle Hansen of the University of Idaho Jerome County Extension organized. "A builder noticed that his younger employees were struggling with their budgets and finances. He took the course so he could teach them and others in the community."

In addition to school superintendents, principals, and teachers, a Hispanic high school student interning at the credit union brought her father. The father plans to educate members of his community with the curriculum's Spanish version. And, the entire Idaho Department of Corrections is using the course in its vocational education within correctional facilities.

"We've also been asked by organizations serving at-risk families and individuals if they could use the program in their facilities," O'Brien says. "Our answer was a resounding, 'Absolutely!'"

And, it wasn't just the great variety of participants that was impressive. High attendance exemplified these training sessions, beginning with a full house at the first training.

## High-Profile Endorsement

One of the keys to the success in Idaho was landing the endorsement of the state's First Lady, Lori Otter, a professional educator.



Major players in Idaho's HSFPP success, left to right:  
First Lady of Idaho, Lori Otter; LaRaye O'Brien; and Lyle Hansen.



"When we met with her, she took one look at the materials and said, 'Wow! This is exactly what we need in Idaho schools. Every student should be exposed to this curriculum,'" recalls O'Brien.

Otter enthusiastically agreed to be the program's on-air spokesperson in Idaho. She taped 60-second ads that have run extensively on radio and television stations across the state. Otter also provided a 15-second tag on the front and back of an existing seven-minute NEFE promotional video. Her endorsement made it much easier to get others to support the program as well, including the Department of Education and the state legislature.

Presentations by O'Brien to the Idaho House and Senate education committees and the House Business Committee led to "legislators talking it up with their constituents," she says.

## Grant Helped Pave the Way

O'Brien and Hansen credit the successful program promotion partly to the \$36,000 Innovation Grant they received from the National Credit Union Foundation. With the grant money, they hired a public relations firm that arranged for extensive radio, television, and newspaper coverage.

"To have people see it or hear about it on a regular basis is important," Hansen observes. "I think it's been documented that people need to see something several times before they act on it."

O'Brien and Hansen are optimistic about the impact that the program and their promotional efforts will make.

"We intend to use every penny of that \$36,000 grant to get the message out to all of Idaho that this is available for free, thanks to NEFE and the Credit Unions of America," says O'Brien.

Hansen is very pleased with the progress that they had made even before this latest effort, noting that the number of HSFPP booklets ordered statewide had tripled from 3,700 in 2006 to more than 10,000 last year.

"We could break the cycle of financial illiteracy if we can teach our youth about personal finance, and they teach their youth and so on," he says. "Maybe we can stop some young people from reaching that national average of over \$8,000 in credit card debt." Learn more about the HSFPP at [hsfpp.nefe.org](http://hsfpp.nefe.org).

View Lori Otter's public service announcement (PSA) by visiting [www.idahocul.org](http://www.idahocul.org) and going to the Credit Unions menu. Find the Education line and select NEFE High School Curriculum from the fly-out menu. The first line of the article contains the PSA link.

## WHAT'S IN YOUR CLOSET?



Even the most organized people have stuff that has been tossed into drawers, closets, basements, and garages because it hasn't been used in years. NEFE will launch a Web site in October that will provide an outlet for individuals to confess their junk. More importantly, we want to hear what users would have done with the money they could have saved if they hadn't bought their stuff.

The Web site will allow users to upload photos and videos, and talk on the message board. People also will be able to use an interactive tool to give them a reality check on how much they spent on their stuff. Check out the project at [www.Spendster.org](http://www.Spendster.org).



## Faces behind NEFE Clair Diones: Web and Special Projects Extraordinaire

**T**here is no average day for Clair Diones, special projects manager for NEFE's Marketing and Communications department. However, she can be found regularly updating the Web sites, managing vendors and freelancers, developing marketing strategy documents, and keeping all her projects on track. Staff members at NEFE often can be heard in her office asking technology questions and talking about Web site improvements. Clair crosses over into many different areas within NEFE to provide marketing and technology support.

Clair has spent most of her career in the financial education community. Before NEFE, she worked for the Certified Financial Planner Board of Standards in international relations for seven years. In that role, she became passionate about helping consumers make good decisions about personal finance issues, such as choosing a competent financial planner and making educated retirement decisions.

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

**Clair:** My job is a lot like the one your mom or dad does every morning to get you to school on time. They need to check you are dressed, have eaten breakfast, brushed your teeth, and remembered your backpack. And, they need to make sure you get out of the door on time. Everything your parents do to get you ready to go to school can be thought of as pieces of a project. Likewise, with my job, I have to take care that the parts of the project come together well and on time. Except every day my projects are different.

### **In terms of your work at NEFE, what would you say has been the achievement you're most proud of?**

**Clair:** The project I'm most proud of would have to be working on the NEFE High School Financial Planning

Program® (HSFPP) redesign in 2007. I played a particular role with the redesign of the HSFPP Web site and implementing the program's first online ordering tool. Teachers have told us that they like and use the new online ordering system, and we see very few paper orders now. Plus, there was an immediate impact on distribution — we sent more materials in 2007 than ever before.

### **What would you say you would most like to accomplish at NEFE?**

**Clair:** I'd like to advance NEFE's use of technology, both internally and externally, to create better access to our resources and programs for all consumers. I also want to help establish a community of consumers who are looking for financial education and want to engage with NEFE and its programs online.

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

**Clair:** Growing up, I saw many people struggle with money management and make mistakes with their finances because they didn't have good role models or know where to go for information. If my family and friends had just learned some basics, it could have been different for them.

### **Describe one memorable NEFE program that you have witnessed.**

**Clair:** The Smart About Money campaign was a groundbreaking project for NEFE and the financial education community. It was the first time a financial literacy nonprofit organization had done a direct-to-consumer public service campaign on a national scale. Beyond the ad campaign, the accompanying Web site — SmartAboutMoney.org — has been very successful. People still call me to talk about how we did the campaign.

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

Add your name to our mailing list by visiting [www.nefe.org/subscribe](http://www.nefe.org/subscribe).  
Please note that NEFE does not give or sell its mailing list to other organizations.

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

## Retirement Uncertainties

Continued from page 1

On top of the list, deciding the not-so-simple question of when to retire can make a significant difference in how much money they'll actually have in retirement. It is a question for which many Americans are not ready. Most, says Neiser, fall into the trap of taking Social Security too early, which "can take a third off of someone's lifetime inflation-adjusted Social Security income."

But over the last 50 years, that is exactly what Americans have been doing by increasingly taking early retirement, according to data from the Bureau of Labor Statistics. In the 1950s, the average age of retirement was 67.6 years old. Ten years later, the retirement age had dropped to 64.6, and by the 1990s it had further dropped to 62.6.

The intelligence collected at NEFE's think tank focused on more than half of the nation's households whose combined pre-retirement income is between \$30,000 and \$100,000. Most Americans in that group, Neiser says, have not adequately planned for their own retirement. They have too much debt, not enough money saved, and little if any plan as to how they are going to spend (or decumulate) their earnings.

With 50 million American households "undersaved" and heading towards retirement, Neiser says there will need to be a cultural shift and many of those households will have to consider holding off retirement for a few extra years. He says this will allow baby boomers to build up larger emergency funds, grow investments, reduce debt, and avoid drawing down what little savings they have accumulated.

Solutions? Neiser says there are plenty. Government and the private sector have to do a better job of educating the public about the cost of retirement.

For one thing, Neiser says, government needs to take a greater role in "putting an individual's financial decisions in

context" by showing the long-term negative effect of taking Social Security early or taking an early disbursement from a 401(k) or IRA. He says that information could be delivered by the individual annual Social Security Benefit statements or by requiring employers to provide further information to employees about the future impact of financial decisions they make.

Specifically, says Neiser, the think tank concluded that employers need to "provide more education, understanding, and even more product options that will help people in the retirement phase of their life, and not just in the savings and accumulation phase."

Meanwhile, financial services companies have refused to sit on the sidelines. They have embarked on their own advertising campaigns, which have increased public awareness of the need to manage retirement income. But, Neiser observes, most of that

advertising is directed towards people who have significant income and resources, and is not targeted "to those who are ill-prepared and who have not considered what life is like in a post-work or post-earnings environment."

The "big sleeper" issue, says Neiser, is that many Americans have yet to find a suitable substitute to the pension income that some parents and grandparents received in their retirement. Neiser says today "many people incorrectly believe that Social Security was a large amount of retirement income for their parents and grandparents when in fact it was only a part of it."

Neiser's team currently is developing key messages to motivate those 50 million households to do their financial homework and plan for their retirement.

Look to the November/December *Digest* for the next article in the series on the Retirement Income Decumulation Think Tank.



## Bringing Home the Gold



The *NEFE Digest* recently won the gold award for Most Improved Design by Magnum Opus, an organization dedicated exclusively to recognizing effective custom publications. The new design for the *Digest* was created by

Timothy Lange of ThinAirCreative, Inc., and introduced in the January/February 2008 issue. It continues to be a very exciting project for us at NEFE. To view previous issues of the *Digest*, visit [www.nefe.org/digest](http://www.nefe.org/digest).

## NEFE SURVEY OF THE ISSUES

In the May/June *Digest*, we asked NEFE readers to tell us about their student loan debt when they graduated from their undergraduate university. Thank you to all who participated — the results from that poll are below. Stay tuned for future surveys in the *Digest*.

1. How much was your student loan debt when you graduated from your undergraduate university?

\$0	33%
Less than \$500	4%
\$501-\$1,000	4%
\$1,001-\$5,000	17%
\$5,001-\$10,000	4%
\$10,001-\$15,000	0%
\$15,001-\$20,000	17%
\$20,001-\$30,000	8%
\$30,001-\$50,000	4%
More than \$50,001	8%

2. When did you graduate?

Earlier than 1960	0%
1961-1970	12%
1971-1980	8%
1981-1990	8%
1991-2000	46%
2001-2008	25%

From the Desk of Brent A. Neiser, CFP®  
Director of NEFE's Strategic Programs and Alliances

# Testifying on Capitol Hill

In fall 2007, 18 million students were enrolled in colleges nationwide according to the National Center for Education Statistics. NEFE is happy to provide CashCourse to those students, but we also recognize the greater need for financial education and awareness.

For that reason, when NEFE was asked to speak on credit card marketing and financial education for college students to the U.S. House of Representatives Subcommittee on Financial Institutions and Consumer Credit, we knew what we had to say. Our words had to go beyond the dilemma of college students to highlight the plight of Americans and consumer credit.

With that in mind, I represented NEFE and spoke about broader protections that can be adopted easily and cost-effectively.

## More Disclosure from Credit Card Companies

- Disclosure statements currently are confusing and not as useful as they could be to consumers.
- Disclosures should be in everyday language and describe the worst case scenario about the amount and time it would take to get rid of the debt, if only making the minimum payment.



## Opt-out Settings

- Convenience checks are checks for cash advances that credit card companies send to consumers automatically. Only people who opt in should receive these checks.
- The current opt-out system (1-888-5-OPTOUT) for credit offers needs to be updated. The system does not prohibit groups you have an affiliation with from sending you credit card offers. A person should be able to opt out of all unsolicited, pre-approved credit card offers.

## Greater Public Awareness

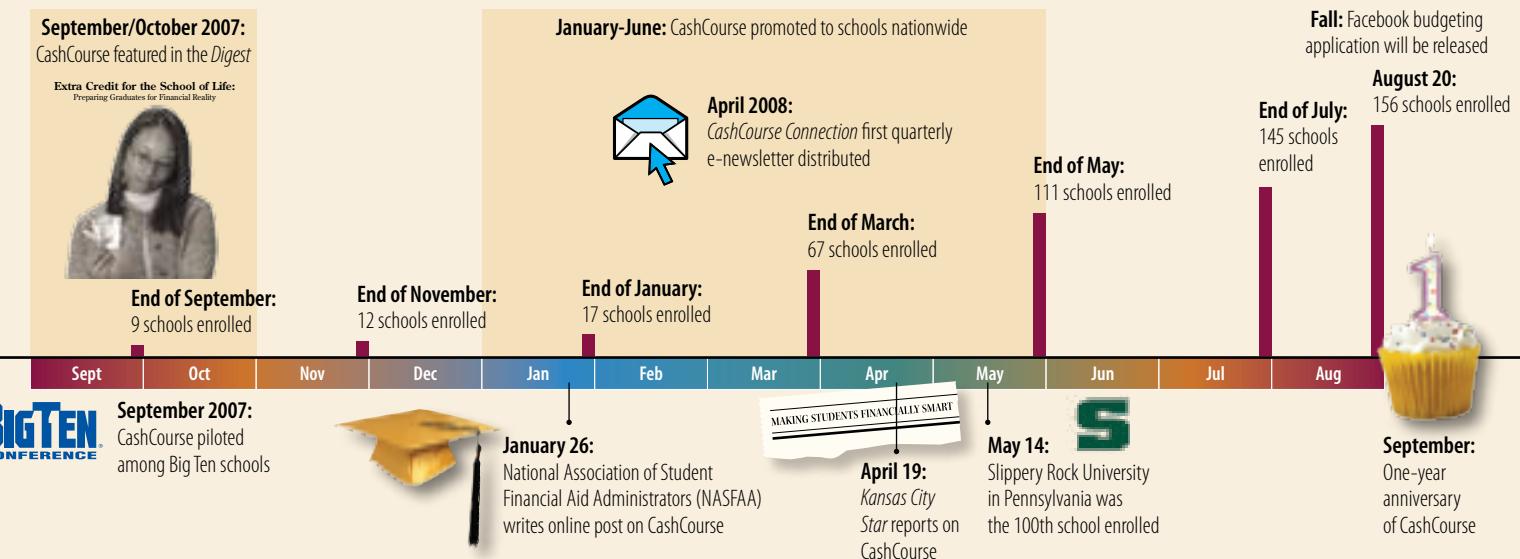
- People need to be made more aware of the consequences of credit inattention and abuse. For example, many students and young adults currently base their personal finance habits and practices on the behaviors of their peers and the influences of media.

We at NEFE hope to nudge consumers toward better financial behaviors in the future with these techniques.

You can find the entire testimony on NEFE's Web site at [www.nefe.org/PublicPolicy](http://www.nefe.org/PublicPolicy).

## CashCourse: Year One Milestones

In September 2007, CashCourse — NEFE's online financial education resource directed toward college students and recent graduates — was piloted among the Big Ten universities. Since then, CashCourse has grown without pause to encompass 156 schools nationwide as of press time. Follow the timeline below for a closer look at CashCourse's progress in the last year. Visit [www.CashCourse.org](http://www.CashCourse.org) to learn more.



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Greenwood Village, CO 80111-3334

## National Financial Literacy Challenge Offered in the Fall

The President's Advisory Council on Financial Literacy voted to direct the Department of the Treasury to offer the National Financial Literacy Challenge again November 3-26, 2008. The Challenge is a voluntary personal finance test for high school students. In the spring 2008 Challenge, 35 students earned perfect scores and nearly 400 students

earned the National Financial Literacy Award for answering correctly at least 94 percent of the questions. If you are a teacher and are interested in having your students take the test, visit <http://flc.treas.gov/teacher> for more information about registration.



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

Society of Professional Journalists (SPJ) Conference . . . . .	September 4-7	Atlanta, GA
Joint Council of Extension Professionals (JCEP)		
Galaxy III Conference . . . . .	September 15-19	Indianapolis, IN
American Student Government Association (ASGA) Conference . . . . .	September 24-28	Bethesda, MD
Financial Planning Association (FPA) Conference . . . . .	October 4-7	Boston, MA
American Savings Education Council (ASEC) Conference . . . . .	October 22	Washington, D.C.
Arizona Saves Presentation . . . . .	November 5	Phoenix, AZ
Financial Behavior in Retirement Conference . . . . .	November 12-14	Miami, FL
Association for Financial Counseling and Planning Education (AFCPE) Annual Conference . . . . .	November 19-21	Garden Grove, CA
Consumer Federation of America (CFA)		
Financial Services Conference . . . . .	December 4-5	Washington, D.C.

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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