

Nefe Digest

September/October 2009

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CBS *'Early Show'* Focuses Eye on Spendster



NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

What is the best way to tell as many people as possible about how to avoid unnecessary spending decisions? On national television of course, which is exactly what the National Endowment for Financial Education did July 21, when staff and supporters of Spendster made an appearance on the CBS *"Early Show."*

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New NEFE/Dartmouth Study: Videos Boost Retirement Plan Participation

"My debt is so expensive that I cannot put money away for retirement."

"I don't save for retirement because I don't know how much I will need in the future."

Dartmouth College researchers, with a grant from NEFE, ranked these and more than a dozen other self-talk barriers to saving for retirement among women and low-income workers. Using video testimonials to conquer the top excuses, they then witnessed a 56 percent increase in enrollment in the employer-sponsored retirement savings plan within 30 days of orientation.

Punam Anand Keller, professor of marketing management, and Annamaria Lusardi, professor of economics, are optimistic that the workplace financial education program model they have identified and developed will increase participation in retirement savings accounts. Keller and Lusardi conducted the study in 2008 and presented their findings to NEFE in April 2009.

"We are particularly interested in women and low-income employees because these groups face unique savings challenges," Lusardi said. "Women, for example, live longer than men and they are normally the caretakers for children or aging parents. To take care of their families, they first have to take care of themselves," she added.

The researchers' concept: a simple, cost-effective, seven-step plan for opening a supplemental retirement account using, in combination with other tools, a video testimonial approach. The results are encouraging. In addition to the 56 percent increase in enrollment within the first 30 days of orientation, researchers also observed a 147 percent gain in employee participation from the year before using the video testimonials.

"The videos are a tremendous tool for showing employees how their colleagues and peers overcame personal barriers to saving," Lusardi noted.

Why it works

The program first assessed the barriers that prevent employees from meeting their goals and then designed programs to overcome these barriers. Keller noted many employees claim they want to save more for retirement but don't know where to start. While employers offer some savings guidance along with employee benefits information, she said most employees find the sheer volume of information daunting.

To break through this barrier, the researchers created an easy-to-follow "how to" guide that simplifies getting started.

Lusardi said the use of video testimonials is effective because the stories are easier to understand than statistics or graphs. Also, the information, when presented with someone's personal story, is more engaging and easier to remember.

"It's a way to use the power of peers," Lusardi stated.

"When I first entered the workforce, there were a lot of opportunities where I could have put money aside for retirement," says a woman in one orientation video. She's not that old—but she's not that young, either. "And at the time, I opted not to do that. At this stage of the game, I wish I had made that investment."

Keller acknowledged when employees found a video to which they could relate, they were more encouraged to get started with their own program.

Challenges for women and low-income workers

The researchers concluded women and low-income workers involved in the project simply need basic financial literacy.

"[Our research subjects] know what they want to accomplish with savings," Lusardi said. "However, there is a gulf between what people aim for and their perceived ability to get there."

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I do not know how much I will need

Too many unexpected expenses

My debt is too expensive

Use an online investment calculator

Bring lunch to work, car pool, skip the latte

With the tax benefit you will save even more





Pouring rain didn't stop NEFE staff members Paul Golden and Patricia Seaman from discussing Spendster with Lonnie Quinn of the CBS "Early Show" in July.

CBS 'Early Show' Focuses Eye on Spendster *continued from page 1*

Adorned in their gold "Spendster.org" t-shirts, the crowd of more than 50 boosters assembled on the CBS plaza in New York City to spread the message that regrettable purchases can become building blocks to positive spending behaviors in the future.

"Given the current economic climate, and the fact that the CBS 'Early Show' is watched each week by millions, it was a great time and place to highlight NEFE's message and introduce viewers to what a Spendster is," said Ted Beck, president and CEO of NEFE. "We are all Spendsters—everyone has a story on impulse buying, overspending, or just plain wasting money on stuff they don't need."

Spendster.org, which launched October 2008, is, as Beck says, a "no-blame online confessional" where anyone can share their story of unwise spending via video, photo, or chat. The site provides a support group where "learning by example" rules. What blunders have others made? What if

money from a frivolous purchase had been put to a more productive use?

"From expensive technology and exercise equipment, to clothing and sports memorabilia, we all have made some questionable spending choices," said Beck. "By shining the light on them, we hopefully help someone else stop and think before making the same hasty decisions."

The confessions on Spendster.org are as diverse as Americans' spending behaviors. One woman admits to spending over \$1,000 a year on diet soda, while another's excess has amounted to three unused jewelry boxes, five alarm clocks, two DVD players, and an abundance of bags stored inside other bags.

"Considering we are asking people to publicly admit their financial mistakes, the videos that we have so far are very clever and fun to watch," added Beck.

To date, contributors on Spendster.org have "confessed" to nearly \$582,000 worth of imperfect spending choices.



What's your spending gaffe?

Are you willing to share your story? If so, un-jam that junk drawer, dig through the garage, and pillage your basement to discover the useless stuff that now is collecting dust.

Log on and tell us what you found.



NEFE Director Speaks Before U.S. House Subcommittee



Brent A. Neiser, CFP®, director of Strategic Programs and Alliances for NEFE, readies himself to testify on financial literacy before Congress in June.



Amid the economic struggles that have come to define 2009, Ted Beck, president and CEO of NEFE and member of the President's Advisory Council on Financial Literacy, told *U.S. News & World Report* in January that this is "one of the greatest teachable moments that's ever happened (for financial literacy)." And Congress seems to agree.

Brent A. Neiser, CFP®, director of Strategic Programs and Alliances for NEFE, delivered testimony before the U.S. House Financial Services Subcommittee on Financial Institutions and Consumer Credit during a hearing June 25 on "Improving Consumer Financial Literacy under the New Regulatory System."

The hearing, which was chaired by Rep. Rubén Hinojosa (D-Texas), presented NEFE as a politically neutral authority with positive suggestions on improving financial literacy.

"NEFE has the ability to provide deliberative thought leadership right now," says Neiser. "The winds of political change are blowing in a direction of more engagement on financial literacy."

With the perfect storm of high unemployment, the burst of the housing bubble, and the precipitous drop of the stock market all hitting the U.S. economy at once, financial literacy is earning a much-needed moment in the spotlight.

"You have to raise the financial IQ of the American consumer," Neiser said to Congress. "There are so many new and sophisticated financial tools coming that will have an impact on the decisions people make in the future."

Neiser noted that increasing financial capability is the cornerstone of financial literacy—a concept analogous to a financial check-up. In his testimony, he prescribed "consistent,

repetitive messaging, and a clear link to financial literacy tools at point-of-sale transactions across one's financial lifespan—from youth through post-retirement."

At the heart of the issue on how to implement these programs, Neiser addressed questions about personal

finance integrated in school systems, an area where NEFE pioneered its High School Financial Planning Program (HSFPP®) 25 years ago. The program is taught in schools in all 50 states and reaches approximately 600,000 students nationally each year.

Neiser shared with Congress examples of how many NEFE programs can serve as blueprints for making financial literacy accessible to the millions of Americans who need it. He emphasized the demand for CashCourse® (www.CashCourse.org), a Web-based resource for college students; Smart About Money (www.SmartAboutMoney.org), a Web site for consumers; NEFE's research-based project on asset decumulation, featuring a Web site (www.Decumulation.org) that helps Americans approaching retirement; and Spendster (www.Spendster.org), a site that allows people to share their purchasing regrets while they rate and discuss stories of others.

Neiser says he is very optimistic that NEFE will continue to be invited to offer insight, advice, and thought leadership to Congress.

"Through greater public awareness, we at NEFE hope to instill better behaviors in consumers to guide them to a sound financial future," Neiser says.

Read Neiser's testimony on the NEFE Web site at www.NEFE.org/PublicPolicy.

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

NEFE Develops Blueprint for Surviving Troubled Economy



People face ever-changing economic and financial pressures. But the question that remains constant regardless of those pressures is *what do I do now financially?*

More than ever, your clients, and even your employees, need help with money issues, and they are relying on your organization for support, community, and action.

You can turn to NEFE's "Economic Survival Tips," a Web-based resource filled with action-oriented information on how to remain financially afloat—not only during this

difficult economy, but beyond. It is easy to install, packed with valuable information, and best of all, it's free.

Economic Survival Tips' unique organization allows you to find information on diverse circumstances through specific psychological situations and traditional topic areas.



"Debt collectors are calling me. What can I do?"



"I'm barely making ends meet. What if I lose my job?"



"I still have a job, but I'm worried..."



"How can I rebuild my emergency savings?"

Access Economic Survival Tips by Topic:

- Protecting the roof over your head (housing and mortgage)
- Protecting the money in your pocket (daily spending decisions)
- Protecting your income (job loss, cutbacks, and employment changes)
- Managing credit and debt

Make Economic Survival Tips accessible to your clients and employees:

- Provide a link to Economic Survival Tips on your Web site
- Grab the widget (a mini-Web application) to get access to the information directly from your Web page
- Download worksheets to provide as handouts
- Use the content topics as a guide for community presentations

Now you can stay focused on your mission while NEFE maintains and enhances financial tips and information to

support all Americans who need help. This ongoing service is commercial-free and backed by 30 years of unbiased personal financial education expertise from NEFE.

Help those you serve, help your staff and volunteers who provide the service, and help your organization stretch its resources and increase its relevance with Economic Survival Tips.

For access to these resources, visit www.SmartAboutMoney.org and click on *Economic Survival Tips*.



HOLIDAY CLOSINGS

NEFE will be closed on September 7 for Labor Day.

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Videos Boost Retirement Plan Participation *continued from page 2*

“We hear over and over that people feel they are not sophisticated investors and that they do not know where to start,” she said. “People are very different and those differences should be taken into account when devising saving initiatives.”

Keller said human resources departments need to design effective, easy-to-comprehend programs to help guide their employees. For example, she recommends low-income workers

be offered financial literacy programs, money management seminars, and one-on-one counseling to help overcome debt.

Additionally, Keller said low-income workers are more motivated to save when they see specific “good and bad things” that will happen to them if they act or don’t act to develop savings—a concept vividly illustrated by the video testimonials.

For more information on the NEFE grant and the Dartmouth report, “Increasing the Effectiveness of Retirement Saving Programs among Female and Low-Income Workers: A Marketing Approach,” visit www.NEFE.org/ResearchandStrategy.



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

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| National Community Tax Coalition (NCTC) Annual Conference | September 1 | San Antonio, TX |
| National Historically Black Colleges and Universities Week Conference | September 1-2 | Washington, D.C. |
| National Foundation for Women Legislators (NFWL) Annual Conference | September 3-7 | Albuquerque, NM |
| Council for Opportunity in Education (COE) Annual Conference | September 9-12 | San Antonio, TX |
| Online News Association (ONA) Annual Conference | October 1-3 | San Francisco, CA |
| Academy of Financial Services Annual Meeting | October 9-10 | Anaheim, CA |
| Financial Planning Association (FPA) Annual Conference | October 10-13 | Anaheim, CA |

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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