

Nefe Digest

Spring 2017

Rise of the Latina

Hungry for financial education, challenged by cultural stereotypes

Contrary to stereotypes, Latinas long have been the financial managers of their households. But, while white women earn 78 cents for every dollar earned by a white man, Latina women earn only 54 cents. In general, Latinos have the highest labor participation, the lowest retirement security, a relatively younger age, and a longer life expectancy than any other demographic. Researchers in a NEFE-funded study from the University of Notre Dame say that Latinas have a huge appetite for financial education and a strong desire to save. Their savings could provide a critical safety net to America's largest minority group.



NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION

Photo by iStock.com/Joel Carillet

Continued on page 2.



Latinas at Home

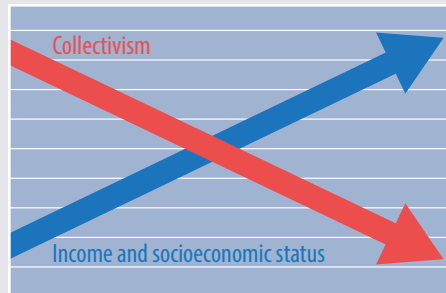
Gender dynamics in the traditional Mexican household are more balanced than common perceptions of male-dominated “machismo” culture, according to researchers at the Institute of Latino Studies at the University of Notre Dame. Through data

analysis, focus groups and interviews, the researchers found that Latinas have long been the administrators of family finances.

Mexican-heritage men and women are equally likely to participate in collective financial practices based on “confianza,” (“mutual trust”). Rather than relying solely on individual earnings, the community — including the extended family, friends and neighbors — help each other to meet financial needs. They share resources through informal lending circles called “tandas.” Men participate in the communal financial system, but women tend to manage these resources.

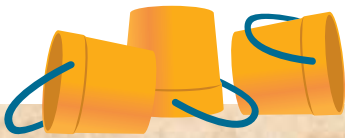
Rather than investing or saving in institutional accounts, many Latinos, especially first- and second-generation immigrants, invest in people — with the expectation of future return — through contributing gifts, services, money and time.

Traditionally, this collective financial system has provided a safety net to support the community, including the elderly once they can no longer work. But the researchers found that by the third generation, Mexican-heritage immigrants tend to be more individualistic and less likely to participate in the confianza network. Increased income also correlates to less engagement in the collective system.



Collectivism protects against economic insecurity. As income and socio-economic status increase, collectivism diminishes.

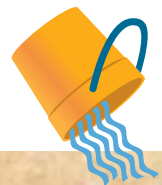
First jobs, no retirement benefits



Retirement Savings



New job with 401(k) and matching contributions



Daughter's quinceañera



How to Reach Latinas

Latinas are more likely to participate in programs where they already have mutual trust, such as churches and neighborhood organizations. In traditional media, Latinas turn to trusted female radio personalities; and in social media, Facebook is widely used for news as well as communication with distant relatives. Karin Sprow, an expert in adult education, followed a cohort of Mexican female students in an adult financial literacy program in Chicago and discovered three key factors to reaching Latinas:

1. A holistic approach, including providing resources and connections, development of leadership skills and local community building
2. Use of storytelling and shared experience as a teaching tool
3. Tracking and monitoring behavior change

In recent decades, the traditional idea of marriage built on “respeto” (“respect”), which demanded female submission to male authority have been replaced with the idea of “matrimonio de confianza” (“marriage of mutual trust”). In families that migrate to the U.S., Latina women are expected to take larger roles as income contributors and managers of household finances.

Migration to the U.S. opens up opportunities for Latina women in education and employment, while diminishing the dominance of men over public and domestic life. Gender dynamics have been shifting in Mexico as well. A large number of older immigrants describe being raised by hard-working single mothers who either left abusive partners or who took over their households when their husbands migrated north.

Latino men are embracing gender equality, but they also are more likely to want to return to Mexico, due to a perceived loss of social status in the U.S. Conversely, Latina women are emboldened by the opportunities to make and manage their own money. The researchers cite programs such as Chicago’s

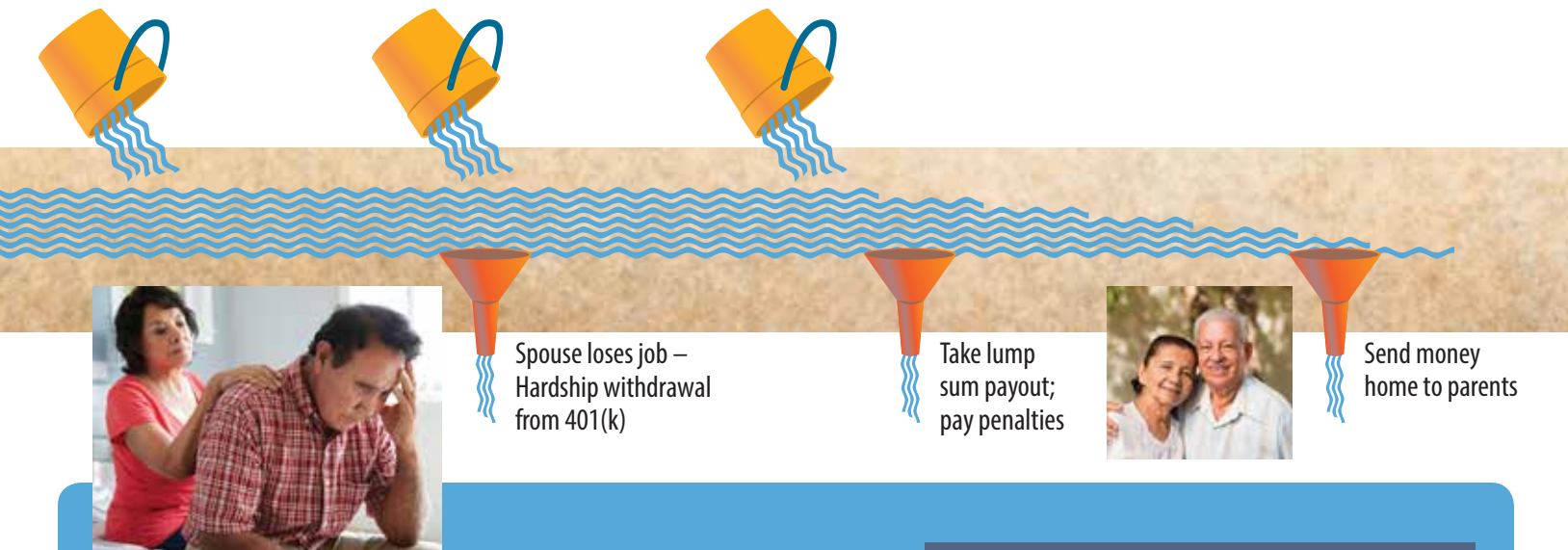
Resurrection Project, a nonprofit community organization that incorporates traditional *tanda* communalism into its financial wellness. Students who complete milestones in the Project’s courses on topics such as debt, budgeting and planning are eligible for zero-interest loans from a partnering credit union.

Latinas “have a huge appetite” for financial information, says Karen Richman, Ph.D., the Notre Dame study’s principal

*En el norte, la mujer manda. —
In the north, the woman rules.*

investigator. The women, especially foreign-born immigrants, find the Resurrection Project classes empowering and workshops often are full.

“The study demonstrates that if financial information is communicated simply and respectfully, and in culturally and linguistically competent ways, Latinas, especially, will listen,” the researchers write in their final report.



Latinas at Work

- Latinos in general tend to switch jobs more frequently than other demographics, and tend to hold positions that do not provide retirement savings benefits.
- Latinos who do have employer-sponsored retirement plans are 50 percent more likely than whites to make hardship withdrawals, and Latina women are more likely than Latino men to liquidate pensions with a lump-sum payment or to spend rather than reinvest their savings when they change jobs.
- Latinas often see retirement accounts as a source of liquidity. They take loans and early withdrawals, often to help others, and they end up paying large penalties.

Wage Gap

White men	\$1
White women	78 cents
Latino men	67 cents
Latina women	54 cents

Why Wages Matter

The researchers found strong evidence that salary increases for Latina workers correlate with increased contributions to retirement savings plans, better retirement savings options and more generous contribution matches.



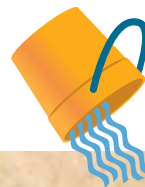
It is important to validate Latinas' experiences, and recognize the constraints many are under when making decisions about taking withdrawals and loans from their retirement savings. "They are making rational choices given their options," Richman says. "They're not being irrational. They just need better options."

Workplace Financial Education

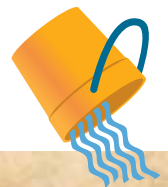
Despite their desire to save, low earnings mean Latinas have much lower retirement account balances than any comparable demographic. Blacks and Latinos lag 10 percentage points behind whites in their propensity to have a retirement account. Latinas, and many other groups, would benefit from workplace financial education, particularly during job transitions when deciding what to do with retirement accounts. "Many people don't know that they can leave money in their 401(k)s when they leave a job," Richman says.



Of those who do save...	Contribution rate (%)	Tendency to make hardship withdrawals
Asians	9.4	
Whites	7.9	
Hispanics	6.3	50 percent more likely than whites to make hardship withdrawals
African-Americans	6.0	167 percent more likely than whites to make hardship withdrawals



Start new job with 401(k) and matching contributions



Daughter's education



Daughter's wedding

Medical bills



Why Defined Contribution Plans Don't Work

In the 1980s, many employers replaced defined benefit (DB) retirement plans, which guaranteed a decent living standard for workers after retirement, with defined contribution (DC) plans, which shifted the responsibility to workers to voluntarily save for their own retirements. These employer-based DC plans are not guaranteed and typically are managed by private investment firms.

Created as a tax shelter for higher-paid executives, DC plans became the standard for all employees, even though the complex rules, fund management fees and hefty penalties make them challenging, and even detrimental, to low- and middle-income workers.

MyRA to the Rescue?

The researchers see strong potential for Latinas' retirement savings with the United States Department of Treasury's myRA (My Retirement Account) program, which allows workers to save up to \$15,000 in a low-cost, Treasury-backed Roth IRA account that is not tied to a specific employer, and is open to those working both full-time and part-time jobs. Once the limit is reached, these funds can be transferred to an IRA.

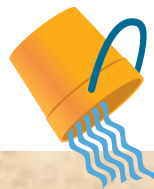
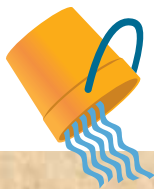
Potential Retirement Savings Path

The researchers envision the evolution of retirement savings for Latinos in the U.S. moving from the informal lending circles imported from Mexican culture, to the safe, simple myRA, and finally to the fully commercial, self-directed IRA.



Why MyRA?

1. **Easy** – Automatically deposited every payday
2. **Portable** – Not tied to an employer
3. **Accessible** – Open to part-time and full-time workers
4. **Affordable** – No cost to open account and doesn't require large minimum contributions
5. **Safe** – Guaranteed by the U.S. Treasury; not tax-deferred, but no penalty for withdrawal



Unable to work
any longer



Funeral costs for
parents in Mexico



Grandchildren



Losing Confianza

Male and female Latinos say that they do not expect large institutions — and least of all the government — to help them in retirement. Participation in the collectivist financial system decreases dramatically by the third generation. Grandchildren of immigrants often must navigate the formal financial system with little guidance or family support, while the older generation no longer can rely on the social safety net of the multigenerational confianza system.

This is especially worrisome for Latinos, who have a higher life expectancy at age 65 than whites or blacks, and who “tend to have faulty expectations about when they will stop working, the length of their retirement and the standard of living they will be able to afford in retirement,” according to the researchers.

Continued on page 8.

NEFE Board Welcomes New Leadership and Three New Members



Richard G. Ketchum



Joyce Nelson



David G. Strege

Three new members join NEFE's Board of Trustees: **Richard G. Ketchum**, executive chairman and CEO (retired) of the Financial Industry Regulatory Authority (FINRA), **Joyce Nelson**, president and CEO (retired) of the National Multiple Sclerosis (MS) Society, and **Jason Young**, co-founder and CEO of Mindblown Labs. Each will serve an initial three-year term on the 13-member board.



Jason Young



Mary "Merrell" Bailey

The board also welcomes a new chair, **Mary "Merrell" Bailey**, managing partner of Your Caring Law Firm in Maitland, Fla., and a new vice chair, **David G. Strege**, CFP®, CFA, senior financial planner at Iowa-based Syverson, Strege and Company.

Ketchum served as CEO of FINRA from 2009 to 2016, and as executive chairman of FINRA's Board of Governors since 2007. Ketchum says his passion for personal finance was ignited by a seventh-grade math teacher who was "a fanatic about making sure we understood fundamental issues like compound interest and how markets work."

Prior to joining FINRA, Ketchum was the first chief regulatory officer of the New York Stock Exchange, and a leader of both the National Association of Securities Dealers and the NASDAQ Stock Market. As a lifelong regulator, Ketchum says he's seen the cost to Americans when financial capability is lacking, and as chairman of the FINRA Foundation, he recognized the importance of continued research into what works in financial education. On the occasion of Ketchum's retirement, FINRA created the Ketchum Prize in his honor to recognize outstanding service and research to advance investor protection and financial capability in the United States.

"It is important to understand how we can raise interest in financial capability issues and provide people with the right tools to allow them to make good decisions," Ketchum says.

Nelson worked for the National MS Society for 28 years, serving as president and CEO from 2004 to 2011. With over \$200 million in annual income, 1,400 employees, 400,000 volunteers and 50 chapter and branch locations, the National MS Society is one of the largest voluntary health agencies in the nation. Nelson also served on the board of the MS International Federation, which coordinated efforts in more than 80 countries. Since her retirement, Nelson has served on

the board of directors for Blackbaud, Inc., a cloud software company.

Nelson says her time at the National MS Society underlined how quickly a family's nest egg can dissolve in times of distress, especially when facing a chronic, progressive and debilitating illness. She adds that the financial effects of chronic illness also can impact self-esteem and undermine confidence in partnering and parenting.

“Dealing with a difficult medical diagnosis is challenging enough — compiling that with ongoing financial insecurity is more than some families can bear,” Nelson says. “I’m looking forward to exploring ways that NEFE can enhance personal financial planning skills for those who find themselves unexpectedly facing years of income hardship due to their own or a family member’s unexpected disability.”

Nelson learned one of her first money lessons at summer camp when she was seven years old. Camp counselors dropped coins into the swimming pool, but Nelson couldn’t make it to the deep end. Her father dropped a quarter in the shallow end especially for her, but she didn’t move quickly enough, and another child got her prize.

“I learned a painfully valuable lesson that day,” Nelson says. “There are no sure bets, and no easy treasures when it comes to personal finances. You must pay attention, build up your skills, and be ready to move if you want treasure.”

Young founded Oakland, Calif.-based Mindblown Labs, a financial wellness innovation lab that uses gamification and customer-centric design to engage, educate and motivate Millennials to save and invest for the future. Young has held positions at Merrill Lynch Global Private Client and Nvest, Inc., in addition to his own entrepreneurial ventures. With a strong emphasis on youth empowerment, Young also is the founder and president of The Hidden Genius Project, a year-round mentoring and youth workforce development program.

Young’s interest in personal finance stems from his family’s struggles with money when he was growing up, which culminated in losing their home when they were evicted the day after Christmas his sophomore year in college.

“I have seen firsthand how detrimental a lack of financial knowledge combined with poor financial habits can be to one’s life,” Young says. “I have also seen how the right interventions can change the trajectory of a person’s life and create multigenerational impact. It is imperative that we use every weapon in our arsenal to enhance the financial capability of today’s young people. I am excited to explore ways that we can better use technology, in particular, to extend our reach and impact.”

Both Young and Ketchum served with NEFE CEO and President Ted Beck on the President’s Advisory Council on Financial Capability for Young Americans under President Barack Obama.

Incoming Chair **Merrell Bailey** says she hopes to build upon NEFE’s existing strengths.

“NEFE makes people’s lives better,” Bailey says. “I truly believe that financially informed individuals are better able to take control of their circumstances, improve their quality of life, and ensure a more stable future for themselves and their families. It is incredibly rewarding to be involved.”

As for her hopes for the coming year, Bailey adds, “The NEFE board members are engaged and accomplished, and the staff dedicated and talented. I am living the old quote, ‘I must hurry, for there they go, and I am their leader.’”



The NEFE booth at the COABE Annual Conference in 2015.

NEFE Sponsors Sessions at COABE Adult Learning Conference

NEFE will sponsor the first financial literacy strand at the Coalition on Adult Basic Education (COABE) Conference April 2-5 at Disney’s Coronado Springs Resort in Florida.

COABE is a network of nearly 15,000 educators, administrators, mentors and guides working to improve educational outcomes for underserved adults. Approximately 36 million working-age Americans have low literacy skills, and more than 60 million can’t perform simple math. COABE looks for innovative ways to support adult education — from basic reading and arithmetic, to adult high school equivalency programs, to English as a Second Language and workforce training.

Jeannette Schultz, manager of NEFE’s Financial Workshop Kits (FinancialWorkshopKits.org), has seen a growing interest in personal finance at the COABE Annual Conference since NEFE first co-presented a session in 2014 with the National College Transition Network (NCTN). Schultz presented two sessions in 2015, and four sessions in 2016.

The session turnout and exhibit hall traffic was so encouraging that COABE approached NEFE to be a strand partner, hosting nine sessions on financial capability topics at the 2017 conference. Session topics include:

- Making the Case for Financial Literacy in Adult Basic Education Programs;
- Helping Adults Find Money for College; and
- But Does it Work? Learn to Evaluate Your Financial Education Program.


“We are thrilled to provide a space at the COABE Conference for educators to explore how they can incorporate financial wellbeing into their work with adult learners,” Schultz says. “NEFE has many free, easily accessible resources to help learners of all ages, and — whether educators use our materials or not — we want to empower informed financial decision-making for all Americans.”

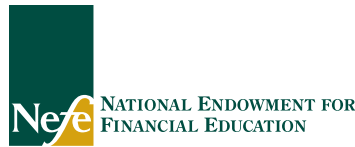
Learn more at www.coabe.org/conference-2017.

Get a special prize when you attend two or more financial literacy strand sessions. Look for a NEFE punchcard in your conference materials or stop by booth 221.

About the study

The methodologies used in this study to understand the context and meaning of gender in Latino retirement include statistical analysis of national census data from the Survey of Income and Pension Participation (SIPP) and the Health and Retirement Survey, and a qualitative case study of foreign-born Mexican immigrants' and native-born Mexican-Americans' retirement savings in metropolitan Chicago.

Research was led by principal investigator Karen Richman, Ph.D., and co-authors Wei Sun, Ph.D., Justin Sena and Sung David Chun, Ph.D. 



1331 17th Street
Suite 1200
Denver, CO 80202

Read the whole report at www.nefe.org/Latinas. 



HOLIDAY CLOSINGS

NEFE will be closed April 14 for Good Friday and May 29 for Memorial Day.



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

Commonfund Forum Mar. 6-7	San Antonio	American Council on Consumer Interests (ACCI). Apr. 20-23	Albuquerque, N.M.
Student Affairs Administrators in Higher Education (NASPA) Conference Mar. 12-15	San Antonio	Colorado Association of Administrators of Student Loans and Accounts Receivables (CAASLAR) Apr. 21	Black Hawk, Colo.
Radio Television Digital News Foundation (RTDNF) First Amendment Dinner Mar. 14	Washington, D.C.	American Association of Community Colleges (AACC) Conference Apr. 22-25	New Orleans
American Society on Aging in America Conference Mar. 20-23	Chicago	New York Association for Continuing/Community Education (NYACCE) Conference Apr. 23-26	Albany, N.Y.
Federal Reserve System Community Development Research Conference Mar. 22-24	Washington, D.C.	Investment News Retirement Income Summit Apr. 24-25	Chicago
Nonprofit Technology Conference (NTEN) Conference Mar. 22-24	Washington, D.C.	National Association of Broadcasters (NAB) Apr. 24-25	Las Vegas
Cornerstone Credit Union League FOCUS Summit Mar. 30-31	Dallas	Society of American Business Editors and Writers (SABEW) Apr. 26-27	Seattle
Coalition on Adult Basic Education (COABE) Apr. 2-5	Coronado Springs Resort, Fla.	FDIC Advisory Committee on Financial Inclusion Apr. 27	Washington, D.C.
Jump\$tart Partner Meeting and Awards Dinner Apr. 4-6	Washington, D.C.	Financial Literacy Day on Capitol Hill Apr. 28	Washington, D.C.
Phi Theta Kappa Conference Apr. 6-10	Nashville, Tenn.	National Council on Diversity, Race and Learning May 1-2	Columbus, Ohio
Cherry Blossom Financial Education Institute. Apr. 7	Washington, D.C.	California Council for Adult Education (CCAE) State Conference May 4-6	Long Beach, Calif.
Operation Hope Global Forum Apr. 10-12	Atlanta	Florida Literacy Coalition May 10-12	Captiva, Fla.
National Business Education Association (NBEA) Conference Apr. 11-15	Chicago	Personal Finance Seminar for Professionals May 17-19	Annapolis, Md.
Cornerstone Credit Union Foundation Conference Apr. 11-16	Fort Worth, Texas	Summer Conference on Consumer Financial Decision Making May 21-23	Boulder, Colo.
Federal Reserve 2017 Financial Literacy Summit Apr. 12	Chicago	National Institute for Staff and Organizational Development (NISOD) Conference May 27-31	Austin, Texas
National Catholic Education Association (NCEA) Conference Apr. 18-20	St. Louis	Florida Prosperity Partnership May 31-June 2	Orlando, Fla.
Texas Library Association Conference Apr. 19-22	San Antonio		

The *NEFE Digest* is available by mail or email. **To subscribe**, visit www.nefe.org/press-room/subscribe; **to unsubscribe**, visit www.nefe.org/press-room/unsubscribe. **For more information** on NEFE, visit www.nefe.org. **To follow us on Twitter**, visit www.twitter.com/nefe_org.

The mission of the National Endowment for Financial Education is to inspire empowered financial decision making for individuals and families through every stage of life.

© March 2017, National Endowment for Financial Education (NEFE). All rights reserved. *NEFE Digest*, NEFE Financial Literacy Resource Center, and NEFE High School Financial Planning Program (HSFPP) are service marks of the National Endowment for Financial Education. Certified Financial Planner and CFP are marks of the Certified Financial Planner Board of Standards, Inc. Accredited Financial Counselor (AFC) is a mark of the Association for Financial Counseling, Planning and Education.

All questions regarding *NEFE Digest* may be addressed to the Marketing and Communications department. Editor: Cara Hopkins. NEFE is open Monday through Friday, from 8:30 a.m. to 5 p.m. Mountain Time. The main telephone number is 303-741-6333; the fax number is 303-220-0838.