

Nefe Digest

January/February 2012

Seniors Face Difficulty with Financial Decisions

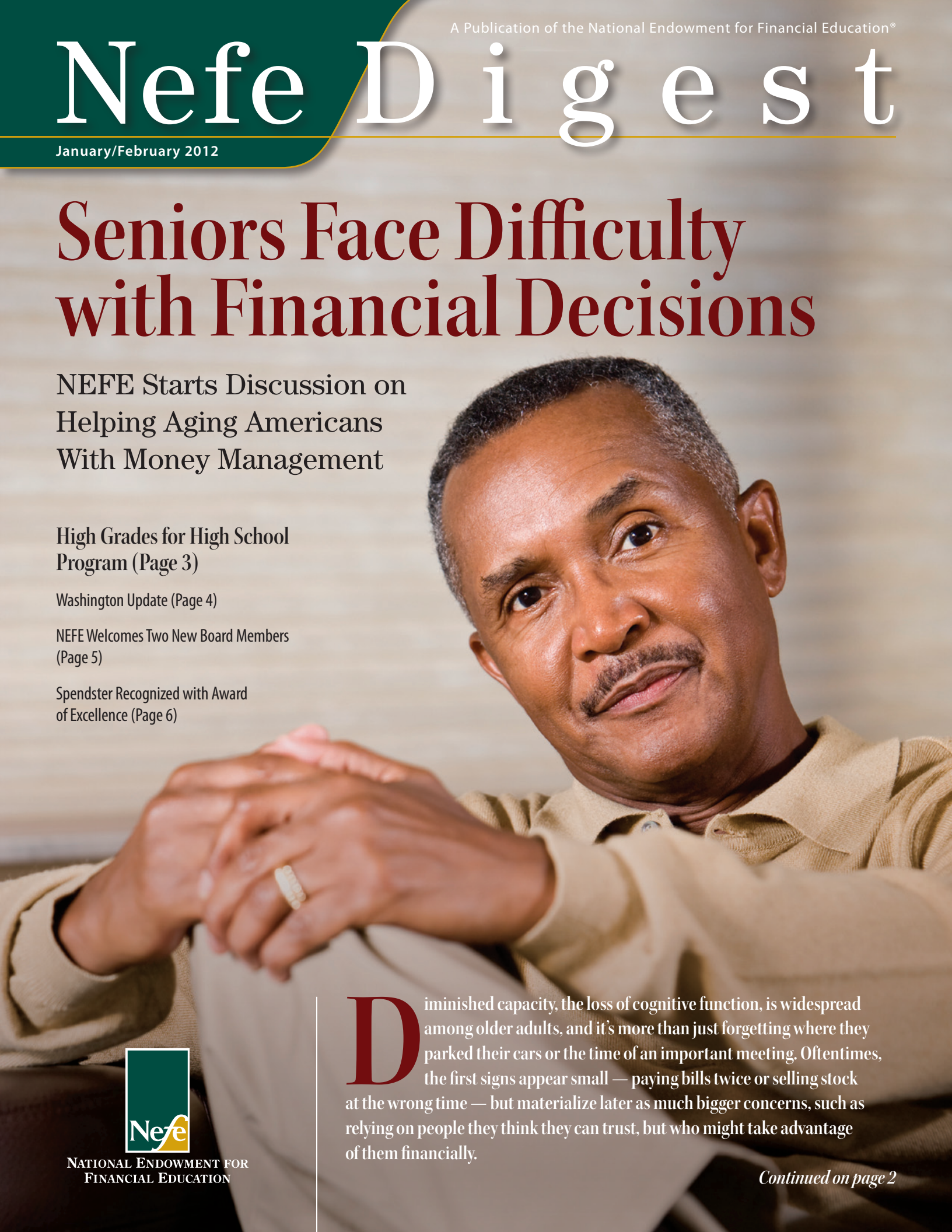
NEFE Starts Discussion on Helping Aging Americans With Money Management

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Diminished capacity, the loss of cognitive function, is widespread among older adults, and it's more than just forgetting where they parked their cars or the time of an important meeting. Oftentimes, the first signs appear small — paying bills twice or selling stock at the wrong time — but materialize later as much bigger concerns, such as relying on people they think they can trust, but who might take advantage of them financially.



NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION

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In September, the National Endowment for Financial Education (NEFE) hosted a salon in Washington, D.C., to jump-start a multi-disciplinary dialogue about diminished capacity (DC). NEFE invited academics, financial service professionals, consumer advocates, and representatives of federal agencies to discuss the issue as it relates to financial decision making.

“This is an emerging field of research,” says Billy Hensley, Ph.D., director of education for NEFE. “NEFE wants to identify where the gaps are, then support further research and dialogue.”

A Perfect Storm

As baby boomers age and retire, the number of Americans with Alzheimer’s, dementia, and other cognitive problems is forecast to increase. Additionally, markets are volatile, health care (and Medicare coverage in particular) is confusing, and retirement standbys like company pensions no longer are guaranteed. Aging consumers need to evaluate savings, investments, and health-care needs more frequently.

“With DC, these tasks become even more difficult and prone to irreversible mistakes, susceptibility to fraud, and family arguments,” says Hensley.

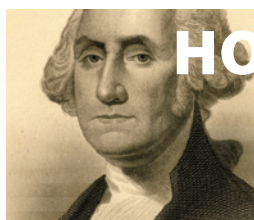
Furthermore, normal cognition decline may start earlier than previously thought. Financial decision performance reaches a peak at age 53, after which decision-making capacity declines, according to research entitled: “The Age of Reason: Financial Decisions Over the Life Cycle and Implications for Regulation” (2009).



Age at Which Researchers Say Financial Decision Performance Peaks

Eric Johnson, Ph.D., a professor at Columbia Business School’s Center for Decision Sciences, expanded upon the field’s understanding of cognitive ability by presenting research he co-authored with Ye Li, Ph.D., a postdoctoral research fellow at Columbia. Johnson uses a basic distinction in psychology between “fluid intelligence” as the ability to absorb, assess, and act upon new information, and “crystallized intelligence” as knowledge and wisdom acquired through culture, education, and life experience. Johnson’s research, like previous research, shows that crystallized intelligence increases with age (to a point), while fluid intelligence, key for decision making, declines.

“One goal is to figure out how we can help people harness crystallized intelligence to make better financial decisions,” Hensley says.



HOLIDAY CLOSINGS

NEFE will be closed on Feb. 20 for Presidents’ Day.

Murky Territory

Addressing cognitive decline is a sticky issue. Many people with DC don’t know it or don’t want to admit it.

Financial advisors are among those confronting DC in their work, raising serious questions about how to handle clients exhibiting or suspected of cognition problems. When such clients request potentially detrimental transactions, the advisor-client relationship is thrown into conflict. Should the advisor contact a supervisor, family member, or power of attorney (POA)? Should the advisory firm monitor the financial advisor, family member, or POA to prevent fraud or abuse?

Intelligence Over Time



Fluid intelligence = ability to absorb, assess, act upon new info (key to decision making)



Crystallized intelligence = knowledge acquired through culture, education, life experience

Among companies that provide financial services, some have protocols related to DC, but others do not. Advisors often stop making sales recommendations, hold transactions, or encourage clients to assign a POA. But such actions raise myriad liability and privacy questions.

Next Steps

Salon presenters Naomi Karp and Ryan Wilson from the AARP Public Policy Institute suggested firms and industry associations consider these actions related to DC:

- establish ethical standards and best practices for communicating with and managing clients with DC
- require professional training
- create industry reference materials
- craft tools to help seniors navigate complex financial decisions

AARP also is recommending stronger privacy laws, and laws that better prevent abuse by POAs and other fiduciaries. For consumers, AARP suggests they:

- start planning, as young as 40, for when/if DC occurs, and establish criteria for making financial decisions
- form multiple sources of trust — such as friends, family, financial advisor, POA, attorney — to avoid being exploited by one party

Going forward, NEFE and salon attendees agreed that cooperative efforts and shared dialogue are essential to improving how industry serves clients with DC and how the financial education community can help consumers better manage their finances as they age.

Have you dealt with diminished capacity on a personal or professional level? Share your story with NEFE by emailing marcom@nefe.org.

High Grades for High School Program

Students and Teachers Provide Positive Feedback on NEFE Curriculum



Positive results abounded in a recent assessment of the NEFE High School Financial Planning Program® (HSFPP). The outstanding finding: Students who studied the HSFPP increased their financial knowledge, financial behaviors, and confidence in managing money, regardless of their knowledge level when they entered the program. The students maintained these changes over time, demonstrating the lasting impact of the HSFPP.

Additionally, 97 percent of instructors said they would recommend the HSFPP to colleagues.

“No other class material explains to [students] how a checkbook works, the credit card system, and how interest can make or break them,” one teacher reported. “I wish I could have been exposed to this or a similar program in high school.”

“We’re pleased with the outcomes; the program really fits the needs of teens and young adults with the financial decisions they are making,” says Susan Sharkey, director of the HSFPP. “We will use student and teacher feedback to continue to improve the program and tailor it to fit with the ever-changing economic times and newly emerging financial products.”

Measuring Impact

Since 1984, the HSFPP has reached more than 7.8 million students in all 50 states and at U.S. military installations around the globe. The seven-unit program exposes students to basic money management strategies and concepts such as compounding interest and “paying yourself first.”

NEFE routinely assesses the HSFPP to ensure it meets the needs of students and teachers. In 2009, NEFE commissioned Sharon Danes, Ph.D., professor and family economist in the College of Education and Human Development at the University of Minnesota, to lead its latest evaluation. Danes surveyed nearly 4,800 students and several hundred teachers immediately after they completed the HSFPP, and conducted a follow-up survey with a smaller sampling of students three months later.

The evaluation revealed important outcomes of the program, such as:

- Before the program, less than half of the students said they understood checking accounts, debit cards, and

credit ratings. After the HSFPP, a majority of the students strongly indicated they understood the importance of credit ratings (62 percent) and how checking accounts (62 percent) and debit cards (64 percent) work.

- More than 70 percent of the students said they had improved saving behaviors, while an equal number said they had improved spending behaviors.
- Three out of four students reported sharing what they had learned through the HSFPP with family and/or friends; before the program, only 25 percent said they discussed money with family members.
- Before the program, only 40 percent of the students said they felt confident about making financial decisions. That number rose to 66 percent immediately after the program, and after three months, 79 percent reported they felt confident in their decision making.

Changes for the Future

NEFE currently is updating the HSFPP curriculum to incorporate what it learned from the survey and changing trends in today’s financial world.

One important update is making the lessons more relevant to the target age group, for example by concentrating on spending plans for specific purchases such as a class trip or a phone plan rather than on budgeting for an entire family. Additionally, NEFE will provide more flexibility for teachers to select activities and lessons that affect their particular student population, including more online resources and materials. NEFE also plans to add more activities for middle school grades.

“It’s never too early to start financial planning and instilling sensible money management behaviors,” says Sharkey.

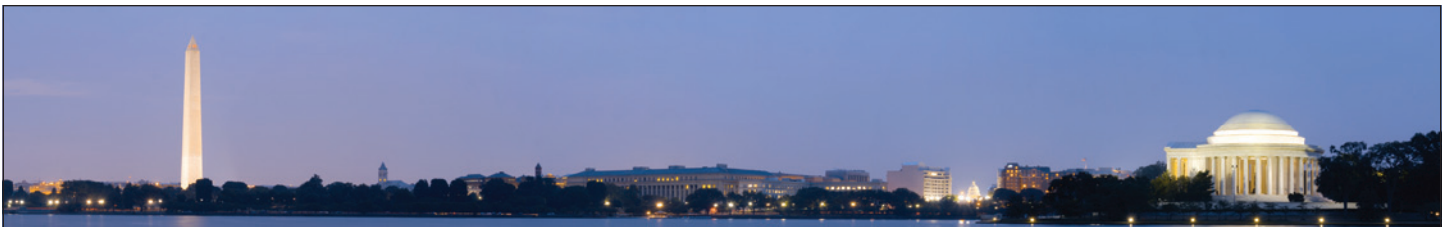
To read the full report, visit www.nefe.org/highschoolprogram.
To learn more about the HSFPP, visit <http://hsfpp.nefe.org>.



Financial Tips on the Go

Ever received a text from a company looking to save you money? Most of them are forwarding you special deals, urging you to spend your money. With SAM Says . . . on the Go, you can receive financial tip texts twice a week from NEFE’s

Smart About Money website. Topics range from reducing debt and saving for financial goals to timely tips for managing holiday spending or sticking to New Year’s resolutions. Learn more at www.smartaboutmoney.org/samonthego.



Washington Update

Council Supports Universal Standards

Members of the President’s Advisory Council on Financial Capability, including NEFE President and CEO Ted Beck, met with President Barack Obama and White House senior staff members to provide an overview on the work of the Council and its recommendations to date. The White House meeting preceded the November 8 public meeting of the Council at the Department of the Treasury in Washington, D.C.

Three recommendations presented by the Research and Evaluation Subcommittee, chaired by Beck, were approved by the full Council.

“We want to have consistent metrics and standards for financial education programs and research so that our stakeholders can choose what works best for them based on uniform measures of quality and effectiveness,” says

Beck. “Ultimately this will lead to better matching of programs to the needs of specific groups of learners.”

Two of the approved recommendations focused on consistent measurements. The third confirmed the fielding in 2012 of a second wave of the National Financial Capability Study by the FINRA Investor Education Foundation (www.finrafoundation.org/capability).

Financial journalist Beth Kobliner, a member of the Youth Subcommittee, presented “Money Milestones,” an age-appropriate set of 20 financial competencies for children ranging from preschoolers to young adults, designed to help teach young people the most essential money lessons that they need to know as they grow. The Council approved the recommendation that the Milestones be submitted for public comment.

The next public meeting of the Council is January 19.

For more information about the Council, visit www.treasury.gov/resource-center/financial-education/pages/advisory.aspx.

NEFE President Elected Chairman of Board



The board of directors of the JumpStart Coalition for Personal Financial Literacy® has elected Ted Beck, NEFE president and CEO, as its chairman of the board. Beck has represented NEFE on the JumpStart Coalition board since 2005, and he will begin his two-year term as chairman in January.

“We’re pleased to have someone with Ted’s vision, insight, and influence to lead our board,” says Laura Levine, president and CEO of the JumpStart Coalition.

The JumpStart Coalition is a Washington, D.C.-based nonprofit that seeks to improve the personal financial literacy of students in kindergarten through college. It is a coalition of nearly 150 national organizations and a network of 49 affiliated state coalitions that work individually and collectively to conduct and support financial education.

To learn more about the JumpStart Coalition, visit www.jumpstart.org.

NEFE Welcomes Two New Board Members

Two new members join NEFE's 13-member Board of Trustees in January. Mary (Merrell) Bailey, managing partner of Bailey Zobel Pilcher, a Florida-based law firm practicing in the areas of probate, wills, trusts, and planning; and James Kooler, Ph.D., administrator for the California Friday Night Live Partnership and the California Center for Youth Development and Health Promotion, each will serve an initial three-year term with NEFE.

"The expertise and backgrounds of our new trustees are an ideal fit to the other highly accomplished professionals who make up the leadership of our board," says Ted Beck, president and CEO of NEFE. "We are fortunate to have such dedicated trustees to help us further advance our mission of helping Americans acquire the knowledge and tools necessary to take control of their finances."

Mary (Merrell) Bailey

Bailey is a self-described "recovering certified public accountant (CPA) who crossed over to the dark side" to practice as an attorney in the areas of estate planning, transfer taxes, and asset protection planning. Bailey serves as an adjunct professor at the University of Central Florida's School of Business Administration, lecturing in the M.S. Taxation program, of which she is a graduate (in addition to numerous other graduate programs, including J.D., MBA, M.S., and B.S.B.A.).



Merrell Bailey

Bailey has been recognized by *Super Lawyers* magazine as a Rising Star for 2010 and 2011, *Orlando Home & Leisure* magazine as a Five Star Wealth Manager in 2011, and *Florida Trend* magazine as a Legal Elite in 2010. She also is an officer for the American Association of Attorney-Certified Public Accountants (AAA-CPA). She is an active member of the American Institute of Certified Public Accountants, The Florida Bar Association, the American Bar Association, the Orange County Bar Association, and WealthCounsel. Bailey began her career at the Orlando CPA firm of Graham, Cottrill, Jackson, & Hostetter, LLP. Prior to practicing law, she worked as the CFO of high-tech and start-up corporations.

"The goals of NEFE are very much aligned with my own firm's work to educate and empower clients to take charge of their finances and achieve a sense of security about their decisions," says Bailey. "With today's volatile and increasingly complex economic climate, it never has been more important for an organization such as NEFE to take the lead in this educational effort."

James Kooler

As administrator for the California Friday Night Live Partnership, Kooler provides leadership and support to 54 county Friday Night Live programs. He also leads the California Center for Youth Development and Health Promotion. From his office at the Tulare County Office of Education, with support from the State Department of Alcohol and Drug Programs and the Office of Traffic Safety, Kooler leads the implementation of Friday Night Live, Club Live, Friday Night Live Kids, Friday Night Live Mentoring, and the California Youth Council.



James Kooler

Kooler is the "creative wizard" for the Lifeplan Institute, director of the Be The Change Movement with Challenge Day, and directs the creation of the California Mentoring Partnership. He also serves as a board member for the United States Anti-Doping Agency. He previously was director of the Governor's Mentoring Partnership and deputy director for the Prevention Services Division at the Department of Alcohol and Drug Programs.

"In my work with young people, it is clear there is a need to build financial literacy, and I am excited to join the board of NEFE to assist in reaching out to youth across America," says Kooler.

For more information on NEFE's Board of Trustees, www.nefe.org/boardoftrustees.

Electronic NEFE Digest

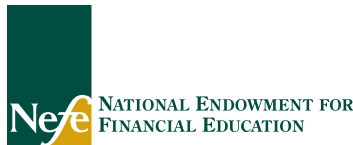
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Spendster Recognized with Award of Excellence



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Nora Ganim Barnes, Ph.D., SNCR senior fellow and research chair (left), and Jennifer McClure, SNCR president and founder (right), present NEFE's Lauren Burke (center) with the 2011 Award of Excellence.

Laughter filled the room as 4-year-old Anna showed viewers around her home, rattling out her parents for their bad spending habits as she put their wasteful purchases on display. Forty-seven seconds was all it took for attendees and fellow award recipients to see why NEFE's Spendster program had been honored.

On November 4, Spendster — NEFE's video-sharing website — was recognized with an Award of Excellence from the Society for New Communications Research (SNCR). The site received the top honor in the social marketing category for nonprofits and was recognized at the 6th Annual SNCR Awards Gala at Harvard University's Faculty Club. Fellow award recipients in attendance included organizations such as Google+, Goodwill Industries, Sprint Nextel, Dell, and IBM.

NEFE's Lauren Burke, who runs the Spendster project, accepted the award, which honors individuals and organizations that are pioneering the use of social media and Internet communications technology. NEFE launched

Spendster in 2008 as its social media laboratory and caught the attention of SNCR judges with two national video contests during the past year.

"NEFE continually experiments with ways to educate consumers on how they can better manage their money through relevant situations, and Spendster is a prime example of that," says Burke. "We are honored to be recognized and look forward to continuing to reach out in new ways."

To learn more about Spendster, visit www.spendster.org.

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



- National Council for Community and Education Partnerships and Gear Up Capacity-Building Workshop Feb. 13 – 15 New York, N.Y.
- Southeastern Association of Educational Opportunity Program Personnel (SAEOPP) Annual Conference Feb. 26 – 29 Jacksonville, Fla.

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