

Nefe Digest

January/February 2013

Dealing with the New Disconnect: Diminished Financial Capacity

“Because
77 is Not
Middle-Aged.”

Tools from NEFE: Smart
About Money (Page 3)

Beyond the Classroom: How You Can Impact
Financial Decision Making for Teens (Page 4)

NEFE Board of Trustees Welcomes New
Member and Leadership (Page 5)

Friends Talk Money in Spendster Sweepstakes
(Page 6)



NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION

“I remember a conversation I had with one of my 77-year-old clients, who told me that she didn’t have to worry about diminished capacity because she was middle-aged,” says Merrell Bailey, an estate planning attorney in Orlando, Fla., and a member of NEFE’s Board of Trustees. “I responded bluntly, telling her that she is not middle-aged, that she is not going to live to 154, and that we have to discuss these things.

This client is not a one-off—she is my reality.”

Continued on page 2

Bailey's sentiments were echoed by fellow attendees of the National Endowment for Financial Education (NEFE) Diminished Capacity and Financial Decision Making Forum in September 2012. Attendees included experts in the field of older adults and aging. The discussion, which built upon a 2011 NEFE-hosted salon on the same topic, focused on gaining a better understanding of what support systems and advanced planning are needed to help the field combat the negative effects of Diminished Financial Capacity (DFC).



“Many older adults are concerned about becoming a burden to loved ones. But having no plan is planning to be a burden.”

— Merrell Bailey

How to Spot DFC

Attendees laid the groundwork for their discussion by determining how to identify cognitive aging. One of the biggest hurdles that financial advisors face concerning DFC is the lack of a defined episode, such as experienced with a stroke or a heart attack. Although one in eight Americans ages 65 and older has Alzheimer's disease, such DFC conditions do not always materialize as a specific event; they often develop over time and can take years or even decades to spot.

Experts explained that it is important to first look at where a client is starting cognitively, but to be aware of the factors threatening him or her. For example:

- **What is the client's age and education level?** According to research discussed at the forum, knowledge gain levels off in people's 50s and 60s. Although older adults may have the benefit of life experience, that asset may begin to diminish as well.
- **Does the client overestimate his or her financial capability?** Attendees clarified that an older adult who still exhibits sound financial skills may not have sound financial judgment. In the process of losing their discernment, older adults are more likely to fall prey to scams, some appearing nonfinancial—such as romance scams—that end up taking a financial toll nevertheless.

To make DFC diagnosis easier for professionals, forum participants suggested such solutions as incorporating into routine health visits a uniform checklist for and system of reporting cognitive decline, and adding financial education to the workplace to educate people about DFC.

What to Do About DFC

Experts agreed that if people make financial planning part of the next stage of life, there emerges less disconnect

between financial decisions now and financial planning for the future. Stronger and more positive messaging is needed to ingrain into Americans that there is a significant chance DFC might happen to them, but it is not the end of their world.

“Many older adults are concerned about becoming a burden to loved ones,” says Bailey. “But having no plan is planning to be a burden.”

For professionals looking to help prepare clients for potential DFC, Bailey recommends these first steps:

1. **Ask** clients if they have considered what they will do if DFC happens to them, and which loved ones will be most burdened.
2. **Encourage** clients to proactively bring up such scenarios with loved ones to establish a plan for the future.
3. **Recommend** clients obtain power of attorney to ensure their future plans can be executed.

NEFE will continue to help the field address and act upon this nationwide issue.

To read the Discussion Summary of the forum or to learn more about other NEFE forums and salons, visit www.nefe.org/convenings.

HOLIDAY CLOSINGS

NEFE will be closed on Feb. 18 for Presidents' Day.

Smart About Money



Intuitive New Interface Helps Consumers Take Action on Finances

As many Americans review holiday expenses and formulate money-related resolutions for the new year, now is the perfect time to remind clients and students to visit Smart About Money (www.smartaboutmoney.org), NEFE's hub for consumer-focused financial information.

NEFE is redesigning the website, creating a more streamlined user interface that is highly engaging and easy to navigate.

"We present the content in a way that is more actionable for the consumer," says Clair Diones, director of marketing for NEFE.

At Smart About Money, consumers can log in to make and track long-range money management plans based on their income, values, and goals. People also can visit without logging in to learn money management basics and to see tips for handling a specific financial decision, such as buying a car. Popular topics on the site include savings, investing, credit, and debt.

NEFE also has added a host of new features including "My Money Toolbox," which allows users to track their financial goals and collect their favorite money management articles and tools in one place. The toolbox also includes an online budgeting tool.

Who Should Use Smart About Money

Smart About Money is one of the most comprehensive sources of up-to-date personal finance information available, making the site relevant to any consumer with money-related questions. For example, Smart About Money features information for young Americans entering the job market as well as adults seeking retirement planning strategies. The site also provides budgeting tips for new parents and guidance for military families who incur financial hardship when a loved one is deployed.

"People need to make financial decisions at various stages of their lives," Diones says. "Our goal is to become a trusted source for consumers throughout their lifetimes."

Financial advisors, educators, and other practitioners are encouraged to use the resources on Smart About Money, such as worksheets and booklets, with their clients and in the classroom, and to direct the people they serve to explore the site on their own. All Smart About Money content is unbiased, noncommercial, and free.

How to Use Smart About Money

On the Smart About Money home page, consumers can connect to several areas:

- **"Hot Topics"** provides guidance for seasonal events, such as planning a wedding or budgeting for back-to-school expenses.
- **"Take the First Step"** walks users through 10 basic actions that they can take to become smarter about managing their money.
- **"Your Money"** highlights areas many individuals and couples wrestle with, including debt management, life transitions, and crises and emergencies.
- **Tools and Resources** prompts users to take action with the LifeValues Quiz, "My Money Toolbox," financial calculators, downloadable worksheets, and polls.
- **The Resource Library** features a database of searchable noncommercial guides and tools that provide in-depth information on a variety of money management topics.

Financial Information the Way Users Want It

SMART ABOUT MONEY

SAM SAYS



Smart About Money is accessible through several channels, allowing users to choose how they would like to hear from or engage with the site:

- **Mobile site**, where consumers can tap into calculators and tools, including "My Money Toolbox."
- **"Sam Says,"** where users can sign up to receive financial reminders and tips via email or text message.
- **Facebook page**, where fans can keep up with shopping tips, money-saving articles, and timely suggestions.
- **Smart About Money Forum**, where community members can post questions and share successes on financial topics.

Learn more at www.smartaboutmoney.org.

About the Series: *Tools from NEFE* shares the vast collection of resources available from NEFE to help our readers in the financial literacy community educate and inspire positive change among the populations they serve, from

high school students and employees to adult learners and retirees. See previous entries in the Digest archive at www.nefe.org/press-room/nefe-digest. For additional educational tools, visit www.financialworkshopkits.org.

Beyond the Classroom

How You Can Impact Financial Decision Making for Teens



Every year, individuals from across the country reach out to NEFE to ask how they can get involved in educating youth in their area about money. Many of these queries come from nonclassroom professionals and parents, and the desire to help has only increased as financial literacy has grown in national importance. NEFE wholeheartedly supports these initiatives and urges volunteers and parents to take advantage of existing information, rather than starting from scratch. Anyone providing guidance to young people can encourage a valuable life skill, whether using NEFE tools, examples from everyday life, or current events.

Make the Most of Teachable Moments

You don't need to be a trained teacher to teach young people about personal finance. Any person, regardless of background or skill set, can be on the lookout for opportunities for youth to practice and apply money lessons. Whether you are mentoring a family member or guiding a youth group, take advantage of those teachable moments—occasions when learners immediately can see the relevance of financial behaviors and strategies. To spark ideas, here are a few suggestions to consider:

- **Involve young family members in financial decisions.** Whether you are comparing phone plans, preparing to purchase a car, or establishing a budget for an upcoming family vacation, use these opportunities to reinforce skills such as budgeting, comparison shopping, and utilizing reliable resources.
- **Engage youth in event planning, especially when it involves a budget.** This provides hands-on experience, requiring young people to establish criteria for a successful event, compare options, and consider the consequences of their decisions—all within budget and time constraints. As examples, invite young people to assist with preparations for a family celebration or a youth group trip.
- **Facilitate “what if” discussions** to pre-empt behaviors that may lead to less-than-desirable outcomes, or debrief after an incident. Encourage young people to consider the potential consequences of actions (or inactions). Reflect on your own life and how it might be impacted by identity fraud or theft, what you plan to do if your home is destroyed in a disaster, or how you might use a cash windfall such as a bonus check or inheritance.

- **Talk about contingency plans.** Use recent events, current life situations, or television or movie stories for relevance. For example, if a young person appears anxious because his or her parent has been laid off from a job, use that opportunity to point out or plan together the short-term and long-term strategies to deal with the change in income.
- **Establish record-keeping routines.** Get youth involved in the management of family or club records. This allows them to support routines, whether they are logging expenditures in a central location, contributing to a master shopping list, being aware of payment due dates, verifying account transactions, or collecting details for insurance or incident claims.

Take Advantage of Existing Resources

To aid you in your efforts of helping young people down a path of mindful money management, NEFE has numerous free tools and resources:

- NEFE High School Financial Planning Program® (HSFPP), our turnkey financial literacy program focused on teaching the basics of personal finance.
- CashCourse® Prep (www.cashcourse.org/prep), an online resource that helps young people prepare financially for college and the workforce.
- Spendster (www.spendster.org), a website focused on smarter spending, featuring real people's stories of impulse buying and wasting money.

To learn more about these and other helpful financial literacy resources, visit www.hsfpp.org/resources.

NEFE Board of Trustees Welcomes New Member and Leadership



Denise Crawford

NEFE is pleased to announce the appointment of a new member to its Board of Trustees. Denise (Denny) Voigt Crawford will serve an initial three-year term with the 13-member advisory group.

“The NEFE mission to inspire educated financial decision making for people through every stage of life is possible not only because of our hard-working staff, but also through the support of strong leadership,” says Ted Beck, president and CEO of NEFE. “Denise Crawford brings great expertise and passion that will help guide us in our commitment to helping people achieve their financial independence.”

Crawford recently served as the M.D. Anderson Public Service Visiting Professor at the Texas Tech University School of Law after retiring from 17 years as the Texas securities commissioner. Prior to that, Crawford spent a decade as general counsel of the Texas State Securities board. During her career as a securities regulator, Crawford twice was elected president of the North American Securities Administrators Association

(NASAA), and is a three-time recipient of the Blue Sky Cube, NASAA’s highest honor.

“I am very pleased to have the opportunity to work with the NEFE board, Ted Beck, and the incredibly talented NEFE staff to move this country’s financial education efforts forward,” says Crawford.

Until her retirement, Crawford was a member of the board of directors of the National White Collar Crime Center, a nonprofit organization of state and local law enforcement personnel, and was a former lead trustee of the Investor Protection Trust, a nonprofit organization focusing on investor education. She has served as a member of the U.S. Securities and Exchange Commission’s Consumer Affairs Advisory Committee and the U.S. Commodity Futures Trading Commission’s Global Affairs Advisory Committee.

In the 1990s, Crawford created the Texas Investor Education Project (TIEP), one of the first investor education programs in the U.S. She has testified about investor protection issues before Congress and other bodies, such as the Financial Crisis Inquiry Commission, on numerous occasions.

Announcing New Leadership

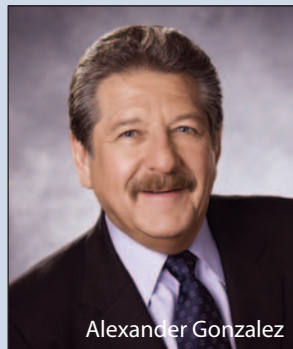
Guiding the NEFE Board of Trustees in 2013 are:

Chairman: **John Woerner**, chief strategy officer and president of insurance at Ameriprise Financial, Inc.

Vice Chairman: **Alexander Gonzalez**, Ph.D., president of California State University–Sacramento



John Woerner



Alexander Gonzalez

Additional members of the board include:

Merrell Bailey, managing partner at Bailey Zobel Pilcher PLC

Ted Beck, president and CEO of the National Endowment for Financial Education (NEFE)

Michael A. Bedke, partner at DLA Piper LLP

Dorothy J. Bridges, senior vice president of the Federal Reserve Bank of Minneapolis

Pip Coburn, principal at Coburn Ventures

Martin Jaffe, CFP®, vice chair and co-founder of Silvercrest Asset Management Group LLC

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Karen Vahouny, communications consultant and adjunct professor at Marymount University

Friends Talk Money in Spendster Sweepstakes



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Scores of snacks. Gobs of gadgets. Sometimes a one-time purchase turns into a hard-to-break habit—that only a trusted friend or family member can help you turn around.

Spending intervention was the focus of NEFE's latest campaign on Spendster (www.spendster.org), its online resource for smarter spending. Through the Help a Friend Photo Sweepstakes, NEFE used social media to encourage Americans to talk to their friends about purchasing priorities, offering incentives to start the conversation.

Caught on Camera

In September and October, Spendster Facebook fans gave their friends a reality check by submitting photos of their pals caught red-handed with their over-the-top purchasing habits. Entries ran the gamut from shopaholics and energy drink addicts to bargain hunters and video game aficionados.



April Rapozo turned in her friend Leslie Faye (pictured) for her "overstuffed closet."

At the end of the sweepstakes, NEFE randomly selected 10 entrants to receive a pair of \$50 gift cards—one for themselves, for being such a good friend, and one for their friend, to help kick-start smarter spending.

Communication is Key

It can be awkward to talk to a friend about finances, but NEFE and Spendster facilitated many productive conversations in a lighthearted way.

"When you're trying to break a bad habit, it's important to first recognize and admit that there's a problem," says

Lindsey Bergholm, a sweepstakes winner who submitted a photo of her friend shopping for clothes. "I'm sure everyone has something that they like to spend their money on, but it's good to be aware of where your money goes."

To learn more, visit www.spendster.org.

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



Jump\$tart Teacher Training Alliance Colorado		
Teacher Fiscal Fitness Workshop	Jan. 25–26	Westminster, Colo.
National Academy of Social Insurance (NASI)		
Policy Research Conference	Jan. 31–Feb. 1	Washington, D.C.
Grantmakers for Effective Organizations'		
Grantmaker Convening.	Feb. 21	Washington, D.C.

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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.

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