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Nefe Digest

January/February 2009

Helping a Generation Faced with Financial Changes

On the surface, Debbie, 29, and Tom, 32, appear to be in good financial shape. Debbie makes $65,000 a year at a midsize corporation, and receives health insurance and a matching 401(k) plan through her employer. Tom opened his own electronic repair business a few years ago, and in the past year he saw his first profit: $12,000.

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National Endowment for Financial Education

Helping a Generation

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Generation X – Ages 29 to 40

Generation Y – Ages 20 to 28

The National Endowment for Financial Education® (NEFE®) decided it was time to help young adults face their financial challenges. On November 12-14, 2008, NEFE sponsored a symposium titled "Financial Realities of Young Adults: Building a Financial Education Framework that is Relevant and Accessible."

NEFE convened a diverse group of professionals, chosen for their abilities to add their perspectives and expertise on financial education for young adults to the discussion. Participants included: professors of psychology, communications, business, and economics; marketing professionals; financial policy analysts; executives from financial nonprofit organizations; research associates; financial planners; and educators who provide financial education programs to young adults.

But the married couple's current expenses, combined with their lack of rainy day savings, leave them financially vulnerable. House and car payments, student loans, and child care costs make it hard to stay afloat. And, while they could use financial advice from a professional planner, Tom and Debbie have not sought one out because they fear that they can't afford the sessions.

Many young adults — a demographic that comprises both Generation X (those born in 1968-1979) and the oldest members of Generation Y (individuals born between 1980–1988) — can relate to Tom and Debbie in some way. But this group can't be categorized by simply one such lifestyle. Their financial and overall circumstances, as well as their level of financial independence, vary from person to person.

Some are college graduates laden with school loans; others are budding entrepreneurs. There are middle managers climbing the corporate ladder and single parents with no college education struggling to make ends meet. This range of lifestyles, coupled with the current economic upheaval and uncertainty, make it difficult to provide young adults with universally relevant financial education.

The symposium aimed to:

- Review this demographics' unique characteristics and the financial realities of their lives and lifestyles;
- Learn whom they trust and how they get their information; and
- Begin exploring ways of targeting Americans ages 18-34 with attention-grabbing, educational messages that will help them make informed financial decisions.

Revealing details about the financial attitudes and behaviors of young adults, Lisa Greenwald, senior research associate at Mathew Greenwald & Associates, presented results from an online survey the company conducted of 1,752 young adults ages 19 to 39. The study was sponsored by the American Savings Education Council (ASEC), and AARP for its "Divided We Fail" campaign. The findings Greenwald shared showed a low level of financial security and knowledge among the majority of today's young adults.

Burdened with student loans

Gave themselves an "F" for saving savvy

No idea how to invest money

Living on the Edge

Lack of financial security and independence dominate

Many in this age group do not feel they're financially secure. Fifty-one percent reported feeling "not too secure" or "not at all secure." Only seven percent reported feeling "very secure" financially.

Study participants defined financial security as "not living paycheck to paycheck" and being "able to afford basic needs." Not surprisingly, financial independence eludes many in this age group: 38 percent of all Gen Y respondents and 46 percent of Gen X respondents did not consider themselves financially independent.

Debt may be preventing many young adults from feeling confident about their financial status: 63 percent had credit card debt and 31 percent were burdened with student loans. It's no wonder they're not strong savers. Of those surveyed, 22 percent gave themselves an "F" for their saving savvy. That comes as no surprise, considering that only half of young adults reported saving on a regular basis or sticking to a monthly budget. Still, more than four out of five (86 percent) recognized that they should be better prepared financially.

Gap in financial know-how hinders saving, investing

Many of the young adults surveyed acknowledged that they lacked financial know-how about certain tasks. Of the survey respondents, only 32 percent reported feeling "very knowledgeable" about how to buy a car or stick to a budget. Most felt "somewhat knowledgeable" about these tasks. More complex and long-term financial tasks confounded them, as well. A majority (53 percent) of respondents admitted to knowing little about how to invest money outside the workplace; 38 percent felt they lacked knowledge about how to buy a home or save for retirement.

Perspective on future financial security differs from past generations

Unlike their parents, young adults have come of age in an era with little confidence in retirement funds (e.g., Social Security). Far less likely to be "lifers" at a single company than were their parents, half of young adults surveyed said people their age did not feel loyal to employers and just as many felt employers weren't looking out for their best interests either. Interestingly though, the majority of those with defined contribution retirement plans available to them said they were participating (71 percent) and findings showed that most young adults didn't oppose "forced savings" by employers (e.g., automatic enrollment in 401(k) plans).

Sources of financial advice

With so few young adults feeling adequately prepared to tackle financial tasks independently, the next logical question becomes: Where do they turn for advice? Despite generational differences, 70 percent of respondents considered parents or in-laws a major or minor source of financial advice. Other sources of financial advice they trust, in descending order, include: financial professionals, the Internet, and employers.

Next Steps: Closing the Gap

After listening to the survey results and other experts, symposium participants formed small groups to discuss young adults' financial behavior with regard to their individual, and widely varied, life circumstances. In those groups, participants sought to develop solutions to bridge the gaps in young adults' financial education. One theme resonated clearly: the messages delivered must be as individualized and targeted as the lifestyles of young adults themselves.

One symposium participant said, "You have to reach out to young adults via channels that correlate with the ways they live their lives." Another noted the critical "importance of empowering young people about their life in general, including the ability to control their finances."

Look for further updates on the symposium results in future *Digests*.

UPCOMING GRANT DEADLINES

FINRA Investor Education Foundation Grants Program	February 4, 2009
Foundation for Financial Planning (FFP) Grants Program	April 30, 2009
FINRA Investor Education Foundation Grants Program	May 6, 2009
NEFE Grants Program	June 2, 2009

For more information about these grants programs, visit www.nefe.org/grantmaking.

Plugging the Leaks

Joint Program from Habitat for Humanity and NEFE Helps Homeowners Develop Financial Responsibility

For Cynthia Jones, the empty lot on Valverde Road in south Albuquerque is, indeed, a field of dreams. And a second chance.

It may not look like much, with its chain link fence and neat piles of weeds, but volunteer construction crews from the Greater Albuquerque Habitat for Humanity soon will begin building homes for Jones and several other families.

A few years ago, this single mother of two daughters, ages 8 and 15, ran into hard times: a former husband with an addiction ran through what money there was — and then some. Says Jones, "I did use payday loans, I did have my home. I did lose it in foreclosure. I used all my credit cards to the max. I never lived on the means I had."

Now she knows better, thanks to the NEFE/Habitat for Humanity *Recipes for Financial Fitness Toolkit.*

The toolkit, developed by Habitat for Humanity International's Organizational Development and Learning department with financial and technical support from NEFE, is a self-paced financial education program. Participants fill out worksheets on spending leaks, budgeting, planning, credit, and financial goals. Families in the Albuquerque program attend classes and work on computer workstations at the office.

"This could be a completely self-taught program," says Bob Norris, Habitat's director of knowledge and learning technology, "but the unique architecture that NEFE developed allows our affiliates to leverage the toolkit in several creative ways, including as a basis for dialogue to have families share experiences, as material for instructor-led classes, and as the basis for volunteer mentoring."

The worksheets and classes help the families budget for both expected and unexpected expenses, such as health emergencies or a major plumbing problem they can't fix themselves.

Habitat families undergo a rigorous application process during which their ability to afford a home is assessed, and they are coached to become financially stable and make the best use of their assets. "Given the current economic environment, the timing of this toolkit couldn't be better," says Norris.

For example, the spending leaks worksheet tracks cigarette, soda, DVD rental, and other incidental costs. Jones learned she had to put some limits on the family soda habit among other things. "Coke was a spending leak," she says. Jones would buy a 12-pack every day or every other day, handing out cans each time someone requested it. "When you go to clean up, the cans are [still] full."

She now keeps a tight rein on spending. "I do everything by debit card. If I don't have the money, I can't buy it," Jones says. At the beginning of each month after she pays her bills, she budgets for extras. In October, she put aside money for Halloween candy and costumes. And, she's passing on her newly-honed skills to her children: "I tell both my daughters, 'this is your money, this is what you're getting for the month. Once it's gone, it's gone.'"

Because of a disability, Jones can't do a lot of hands-on homebuilding. Yet she's earned a significant portion of her required 500 sweat-for-equity hours through the NEFE/Habitat program. The Albuquerque chapter gives credits when families complete benchmarks of financial responsibility. For example, if they did their homework, they get credit for five hours. If

Burning Money

Susana Peña always lived with her mother, who managed all the household finances. So when she qualified for a Habitat for Humanity home and loan, she had to learn the basics: from opening a checking account to building a credit record. To do so, Peña participated in the *Recipes for Financial Fitness* program. After filling out the program's spending leaks worksheet, she found some surprising — and motivating — news. Her smoking habit was costing her $100 a month. Now she's down to three cigarettes a day and, for the first time ever, has $475 in a savings account.

After completing the program, Peña knows how to manage the unexpected costs of life. A bout with pneumonia (and no health insurance) left her with a $2,800 bill. But after taking the *Financial Fitness* classes, she knew to negotiate with the hospital for a low-interest, long-term payment plan.

Peña says, "I now know how to budget, how not to get in a [financial] hole I don't want to be in, and how to be a homeowner."

they track their expenses, it's worth 20 hours of sweat equity.

Jones says taking the classes allowed her to learn from others' experiences, and gave her a sense of financial responsibility she'd never had before. "The biggest change, for me, is [understanding] the importance of setting financial goals and planning for your future. In your future, there will be things that you can't plan for and they just happen. If you prepare today and put money aside, you can take [care] of [them]."

Learn more and view the program at www.habitat.org/hfhu/programs/nefe .

Packing in New Features

CashCourse — NEFE's online financial education resource for college students — launched over a year and a half ago with a few pilot schools enrolled to offer it to their students. Since then, 200 more schools enrolled (see note below). In that time, NEFE also improved CashCourse so that the resource engages students more and helps college administrators better reach their students with financial education.

Workshop Materials Developed

"While talking to hundreds of CashCourse school administrators at conferences, we kept hearing a common request: 'we need workshop materials!'" said Amy Hartenstine, project manager for CashCourse. "We responded by creating materials on topics college administrators felt were most important for their students to learn."

The five workshop kits include PowerPoint® presentations, facilitator's guides, hands-on learning materials for students, and post-workshop evaluations. The workshop topics cover budgeting, money management, identity theft, credit, and debt. In order to access these workshop kits, a school must be enrolled with CashCourse.

Budget Wizard for Students

CashCourse expanded its interactive content with its new Budget Wizard. Students can use it to create and maintain a personal budget, and the application comes with easy-to-use tools for planning income and expenses, saving monthly or for a special purpose, and charting long-term progress. Check it out at www.CashCourse.org/lite/budget.

CashCourse Sites Redesigned

In fall 2008, NEFE revised the CashCourse site for students. Now, we are restructuring CashCourse's informational site, which will be relaunched in early 2009. The revised site has better navigation, makes it easier to enroll, explains the benefits of CashCourse better, showcases marketing materials for schools to use on their campuses, and highlights how other schools have used or promoted CashCourse in a new way (e.g., the revised flyer to the left).

Michigan Tech Alumni Association revised one of CashCourse's promotional flyers (left) by adding their mascot and school colors, and then used it in their campus newspaper.

Interested in learning more? Visit www.CashCourse.org.

CashCourse Reaches 200 Schools

More than 200 universities, colleges, and alumni associations have enrolled to use CashCourse on their campuses to help students learn about financial basics. The 200th school was the University of Evansville. To view an interactive map of the participating universities, check out www.CashCourse.org and click on Participating Schools.

Faces behind NEFE

Lanell Daniel-Knight: Keeping Everything Flowing

Lanell has to be one of the most good-natured, entertaining staff members at NEFE. When a student teacher asked her for another instructor's manual because her puppy had chewed up her copy, Lanell responded jokingly: "Really? You're using the 'dog ate my homework' excuse?"

That sort of exchange is normal in Lanell's role as program coordinator for the NEFE High School Financial Planning Program® (HSFPP). She interacts with many people who use the program and receives a lot of positive feedback about it. Lanell joined NEFE in 2003 after working in the nonprofit realm for over 20 years. She worked with the Archdiocese of Denver; another Denver nonprofit called Human Services Inc. (now known as Parent Pathways); and then in the finance department of the Daniels Fund.

Lanell, if you were to describe your job to a fifth grader, what would you say?

Lanell: My job is to get the materials high school students use in their classroom to them. Getting the books from NEFE's warehouse to the teacher is not simple. There are many steps in between and I have to solve problems that might show up along the way. I try to make it as easy as possible for the teachers to get the materials they need to teach their students.

What has been an accomplishment you're most proud of from your time at NEFE?

Lanell: I'm very proud of the HSFPP's advancement from a paper-based ordering system to an electronic system. With this change, the program has become much more accessible to teachers. We now can analyze usage easier and spread the word about the program quicker.

It's also exciting for me to hear about schools that have been using the program continuously for years, and also to see new schools learning about the HSFPP and teaching it. In the future, I'd like the HSFPP to continue to grow and reach more people while, at the same time, staying useful and relevant to them.

What would you say you would most like to achieve while at NEFE?

Lanell: You know, I hear people always say in response to the program, "I sure wish I'd learned that in high school." I say it, too. It'd be wonderful if one day, teaching financial education in schools wasn't such a novel idea. Teaching it would be commonplace because people would recognize that it's an important part of life.

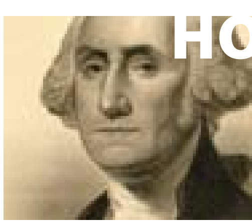
What personally drove you toward nonprofit work?

Lanell: I fell into it at first, but I consciously made the decision to stay. I get more out of my job knowing that I'm helping someone in a certain way, not just worrying about the bottom line.

Can you describe one special memory that you have from your work with NEFE?

Lanell: I have to say there are many, but the most memorable was when I was speaking with a high school teacher who wanted to share her story of having taught the HSFPP for almost 10 years. She talked about what they'd added to the program, how the students enjoyed it, and how they were so grateful we could provide these materials. I was struck by how involved she was with the program. It's so fulfilling to look back on those types of conversations and re-read the thank you notes that I have on my bulletin board (see photo to above right). It makes it more real to me that people are using our materials and making a difference.

If you are interested in learning more about Lanell Daniel-Knight's department, visit http://hsfpp.nefe.org.



HOLIDAY CLOSINGS

NEFE will be closed on February 16 for President's Day.

Show Us Your Stuff

Spendster.org, NEFE's Web site that allows users to discuss what they shouldn't have bought, attracted attention from many different groups in the last few months. Several media outlets covered the site, including the *Associated Press, Washington Post* online, *Los Angeles Times, Philanthropy Journal, Denver Post* online, and a variety of television and radio programs nationwide. Numerous personal finance blogs, such as *LifeHacker* and *MSN's Money Blog,* also highlighted the site.

The following are just a few comments from the site:

Madsow shares how he found out he was a Spendster: "The wastefulness finally hit me when our credit card debt hit $13,000 and our Discover card was maxed out. **I took a look around and realized that I had nothing to show for it."**

SavingDiva writes: "I'm always **surprised by the amount of stuff people 'NEED.'** How many different types of plates do you need in your kitchen?"

Spygirl describes her moment of realization: "I just took a look around my art studio (really a spare room in our house) and was **totally shocked to see how much expensive stuff I had that was literally covered with dust and un-used….** I am talking hundreds if not a thousand dollars worth…"

Mogo reveals: "I bought a beautiful motor home in 2003. I owe 88k on it, can't pay for it so have done a voluntary repossession. **It was an impulse buy.** If I didn't have that debt, I would be OK."

One guest divulges: "I'm a full-time college student who can only afford to work 15 hours a week… you think I would stay in my budget… no, instead **I head to the mall whenever I feel like it** resulting in about $300-500 a trip and expect my parents to bail me out… this has got to stop… this site is an eye-opener."

Another visitor realizes: **"I spend a ridiculous amount of money on stuff I have no need for.** I spent $8,000 last month on a new laptop, cell phone, clothes and more while I already have a laptop and stuff."

View more at www.Spendster.org.

Do you have something you shouldn't have bought? Could have put that money spent to better use?

Post it on Spendster.org. If it's truly embarrassing, feel free to post anonymously. We'll understand.

ADD YOUR NAME TO OR REMOVE IT FROM OUR MAILING LIST

Add your name to our mailing list by visiting 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.

Students Take Challenge in Record Numbers

Approximately 75,000 high school students took the second National Financial Literacy Challenge, a voluntary 35-question test on financial knowledge, between November 3 – December 12, 2008. Once the results have been analyzed, 100 of the most financially savvy students who took the Challenge will be awarded scholarships. Stay tuned to the *Digest* for more information.

NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

5299 DTC Boulevard, Suite 1300
Greenwood Village, CO 80111-3334

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

NCCEP/GEAR UP Capacity-Building Workshop	February 8-11	New Orleans, LA
Credit Union National Association (CUNA) Governmental Affairs Conference	February 22–26	Washington, D.C.
Student Affairs Administrators in Higher Education (NASPA) Conference	March 7–11	Seattle, WA
Consumer Federation of America (CFA) Consumer Assembly	March 12-13	Washington, D.C.
Salvation Army National Social Services Conference presentation	March 14–18	Chicago, IL
American Association of Community Colleges (AACC) Conference	April 4–7	Phoenix, AZ
National Business Education Association (NBEA) Conference	April 7–11	Chicago, IL
American Savings Education Council (ASEC) Partners Meeting	April 15	Washington, D.C.
Radio-Television News Directors Association (RTNDA) Annual Conference	April 19-22	Las Vegas, NV
Society of American Business Editors and Writers (SABEW) Annual Conference	April 26-28	Denver, CO
Urban Extension Conference	May 4–7	Milwaukee, WI
National Association of Personal Financial Advisors (NAPFA) National Conference	June 3-6	Washington, D.C.
National Association of Student Financial Aid Administrators (NASFAA) Conference	July 12–15	San Antonio, TX

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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All questions regarding *NEFE Digest* may be addressed to the Marketing and Communications department. Editor: Ayelet Golz. NEFE is open Monday through Friday, from 8:30 a.m. to 5:00 p.m. Mountain Time. The main telephone number is (303) 741-6333; the fax number is (303) 220-0838. Visit the NEFE Web site at www.nefe.org.

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