

Nefe Digest

Summer 2016

AGING AND MONEY



A

s we age, we understand that our bodies will not function as efficiently as they did before. We aren't surprised when our health-care providers suggest more preventative tests and monitor us more closely as we pass milestone birthdays. Our ability to make financial decisions also changes with age. And, just as with our physical health, our financial health needs care and extra attention to stay in shape. Research shows that the peak of financial decision making occurs in our 50s, which makes midlife a key time to build a financial support team and, if you haven't already, to start having frequent, detailed conversations about money with your loved ones.

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NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION



It won't happen to me.

Don't be so sure, Honey.



FINANCIAL DECISIONS AS WE AGE

None of us likes to think about losing mental sharpness. If we are lucky, we never have to deal with a serious illness such as Alzheimer's disease, but even the healthiest among us will experience some decline in decision-making ability as we age, according to two NEFE-funded research projects from the University of Alabama-Birmingham and Columbia University.

It can be easy to dismiss the idea of cognitive decline as something that happens to other people, not to us or to our loved ones — until the warning signs become too blatant to ignore.

Ideally, aging adults would recognize that they are having difficulty where once there was none and would work with their families to come up with a plan of action. But pride, denial and embarrassment can create blind spots that prevent even the most communicative families from seeing the warning signs, which can lead to acute financial consequences if left unchecked.

What Can Go Wrong?

Research shows that when we reach about 60 years old, our ability to process new information starts to slow down. Every person is different, and the loss of cognitive ability can spread over decades, but there are some common signs to look out for in ourselves and our family members (see opposite page). It might take you longer to calculate a tip on the fly or to pay your bills. You might find that you overlook important clauses in financial documents or that your ability to perform everyday math slows down considerably.

Difficulty recognizing risky investments is one of the most potentially dangerous side effects of aging. Older people also can have a harder time spotting scams, so it is important to be diligent — especially when faced with an opportunity that seems too good to be true.

Aging Parents and Money

As parents age, family dynamics change and money topics that used to be off-limits to “the kids” necessarily become part of a whole family discussion. There are some obvious trigger points for these changes — for example, severe illness or the death of a parent. If you wait until such an event happens before even starting the conversation about your parents' finances, you could find yourself stuck in more ways than one: from simple logistics, such as having the account numbers and access codes to their financial accounts in the event they are unable to pay their bills, to knowing what their wishes are for the managing their estate once they are gone.

If you live in a different city or state from your parents, it is even more important to check in on a regular basis and to get specific. You might help set up automatic payments so bills don't fall behind, and consider getting “view only” access to your parents' accounts if the situation seems to warrant it. Include the whole family to decide who will be responsible for what and work with your parents to establish advanced directives — not just their will and estate planning documents, but powers of attorney and medical care wishes if they should become incapacitated.

And keep in mind that singles, childless widows and widowers, estranged families and others need this assistance too. Professional caretakers and advisors can provide support where there is no family to step in, and we all can keep an eye out for neighbors and community members. 📌

EARLY WARNING SIGNS:

Impacts of Aging on Financial Decision Making

It's inevitable that an average person will see a change in their ability to make financial decisions as they age. While there are varying degrees of cognitive decline for each individual, the key is to be prepared. Knowing how to identify early warning signs* can help friends, family and caretakers be proactive instead of reactive in the planning process.

 <p>WARNING SIGN #1</p>	<h3>Taking Longer to Complete Financial Tasks</h3> <p>EXAMPLES OF INCREASED SLOWNESS:</p> <ul style="list-style-type: none"> • Preparing bills for mailing • Completing checks and check register • Filing income taxes
 <p>WARNING SIGN #2</p>	<h3>Missing Key Details in Financial Documents</h3> <p>EXAMPLES OF DIFFICULTY WITH REDUCED ATTENTION:</p> <ul style="list-style-type: none"> • Identifying a bill that is overdue and needs prompt attention • Scanning/finding details in complex documents like a bank statement • Completing sections of a check register
 <p>WARNING SIGN #3</p>	<h3>Experiencing Difficulty with Everyday Math</h3> <p>EXAMPLES OF DIFFICULTY WITH DECLINING MATH SKILLS:</p> <ul style="list-style-type: none"> • Determining a return on an investment • Calculating a medical deductible • Doing two related calculations at the same time, especially making change • Figuring a tip in a restaurant
 <p>WARNING SIGN #4</p>	<h3>Showing Decreased Understanding of Financial Concepts</h3> <p>EXAMPLES OF DIFFICULTY WITH UNDERSTANDING:</p> <ul style="list-style-type: none"> • Health care concepts like medical deductible • Terms in a bank statement like interest rate and minimum balance
 <p>WARNING SIGN #5</p>	<h3>Identifying Risks in Investment Opportunities</h3> <p>EXAMPLES OF NEW DIFFICULTY:</p> <ul style="list-style-type: none"> • Identifying a key risk in an investment purchase • Emphasizing benefits/return and minimizing risks

* Please note that to qualify as warning signs of financial decline, the above problems should represent a change from the older person's prior financial functioning.

For more on cognitive decline in financial decision making, visit www.nefe.org/research.

"LET'S GET YOU INTO A NEW CAR TODAY..."

THE YOUNG GUY

- ▶ 25 years old
- ▶ Credit score: 639
- ▶ Thinks only of the monthly payment
- ▶ Doesn't consider what might go wrong
- ▶ Can quickly process new information
- ▶ Higher "fluid" intelligence
- ▶ Doesn't know what he doesn't know

interest schmininterest



\$200 a month is a STEAL!

"I can get you into this car for \$200 a month."

... at 10% interest for 7 years.

Confusing? Good.

"The 7-year warranty is only \$109 more than the 5-year, or you can do the 8-year, which is really the best deal, and that's only \$65 more than..."

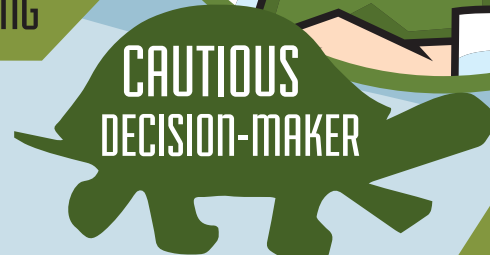
3 years?
5 years?
7 years?

THE SENIOR

- ▶ 65 years old
- ▶ Credit score: 701
- ▶ Considers long-term effects of interest
- ▶ Needs time to process new information
- ▶ Has difficulty calculating on the fly
- ▶ Higher "crystallized" intelligence
- ▶ Been around the financial block

I want ONE straightforward option.

CAUTIOUS DECISION-MAKER



EASILY OVERWHELMED BY TOO MUCH INFORMATION



AWARE OF TYPICAL SALES TRICKS



LONG-TERM THINKING

SHORT-TERM THINKING
"I have enough for THIS month and next."



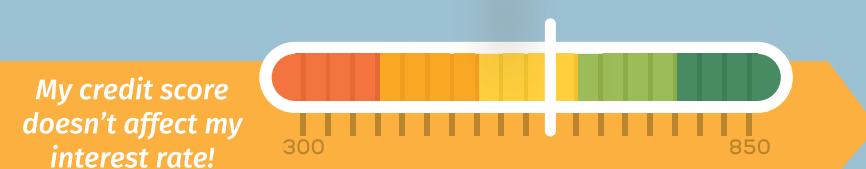
HASTY DECISION-MAKER



"I got 'em BOTH!"



DOESN'T CONSIDER WHAT COULD GO WRONG



Even the healthiest among us will experience declines in the speed at which we generate, transform and manipulate new information as we age. This type of mental processing is called fluid intelligence. And it is only one part of the story.

Another type of mental processing, called crystallized intelligence — the accumulation of knowledge and experience (you might call it wisdom) — increases until about age 60, where it plateaus until about age 80, and eventually drops off.

While fluid intelligence enables a younger person to more quickly calculate a tip on the fly, an older person's crystallized intelligence might help him or her perform better when analyzing stock performance and market trends.

In just 15 years, 1 in 5 Americans will be 65 or over. Understanding how normal aging hinders (and helps) in financial decision making is crucial to ensuring Americans' financial wellness in the coming aging boom.

How can financial products and processes be designed to work to an older person's strengths? Building in extra time for seniors to process information and cooling-off periods to assess financial decisions could be a start. 📌

For more information, visit www.nefe.org/research.

CashCourse Financial Educator of the Year: Kristin Bhaumik

The CashCourse Financial Educator of the Year award honors an educator going above and beyond to promote financial literacy on college and community college campuses. The inaugural award in 2016 goes to Kristin Bhaumik, assistant director for special programs at the University of Michigan–Ann Arbor.



Bhaumik leads the charge on financial literacy initiatives at Michigan. She developed a for-credit financial literacy course called “The Financially Savvy Student” that incorporates expert resources from the campus, local community, NEFE and CashCourse. A second section of the course was added due to its popularity with students.



Bhaumik also developed and hosts an interactive event called the “College Wallet Workshop” that teaches entering students about college costs, financial aid and budgeting basics. Bhaumik frequently is invited to present this very popular workshop across campus.

The University of Michigan’s default rate is the lowest of the state’s public universities at 1.6 percent. Senior Associate Director of Financial Aid Margaret Rodriguez credits much of this to Bhaumik’s efforts to rework the delivery of financial aid packages. Under Bhaumik’s direction, students taking out unsubsidized loans are counseled in person to discuss federal loan borrowing. Under this initiative, unsubsidized loan borrowing dropped from \$28 million to \$15 million in its first year.

A leader beyond her own campus, Bhaumik currently serves as the Michigan Student Financial Aid Association president and on the executive board for the Midwest Association of Financial Aid Administrators. On top of these impressive efforts, Bhaumik also offers open office hours to students who want to meet to discuss personal finance.

The CashCourse team is thrilled to honor Bhaumik as the inaugural CashCourse Financial Educator of the Year. In addition to highlighting her work, CashCourse will sponsor her attendance at the 2016 National Summit on Collegiate Financial Wellness. 📌

For more success stories, visit www.CashCourse.org.

NEFE Co-Hosts Convening with CFPB

In April, NEFE and the Consumer Financial Protection Bureau (CFPB) hosted an event for about 50 librarians, nonprofit leaders, government representatives and financial educators, including counselors, coaches and planners, to discuss financial education learning opportunities. Topics included the CFPB’s Financial Education Exchange (FinEx) tools and resources for libraries and other financial education organizations; tactics for reaching “money avoiders,” such as consumers who avoid checking credit reports or opening bills; and research-based tools for use by financial coaches and other intermediaries working with consumers on financial issues. NEFE Grants and Research

Manager Mary Hoch presented on NEFE research findings on aging, cognitive decline and retirement decision making, and NEFE’s Senior Director of Strategic Programs and Alliances Brent Neiser presented tools for financial intermediaries and consumers.

“This collaboration between NEFE and CFPB was an opportunity to gather financial educators and practitioners from across Colorado to explore relevant research and to share knowledge about what is working and what isn’t in financial education to meet the public’s changing needs,” says NEFE President and CEO Ted Beck. 📌

Faces of NEFE: **Annette Fowler**, eLearning Technology Director



We are pleased to welcome Annette Fowler, one of Denver's biggest Broncos fans, to the NEFE team. Fowler's background in technology, website development and nonprofit organizations makes her an ideal addition to our staff. Her leadership has allowed NEFE to forge ahead on many website development efforts — and there is much more to come in 2016 and beyond.

Annette Fowler (bottom row, right) poses with other NEFE staff in support of her favorite team, the 2016 World Champion Denver Broncos.

NEFE: How would describe your job to a fifth grader?

AF: I help NEFE share important financial literacy information on 10 different educational websites. I work with each program manager to make sure that each website functions correctly and displays the material in the best way possible for various visitors and learners.

NEFE: Describe your previous positions and what led you to working for NEFE.

AF: I have worked with and for nonprofit educational organizations for most of my professional career. First I spent 10 years working in the information technology department for the business school of a private university. Then for the last eight years, I worked as a project manager for a commercial Web development firm based in Greensboro, N.C., where most of my clients were higher education institutions. These positions helped me develop a passion for the intersection between technology and education, a space where NEFE really excels. I look forward to being part of the NEFE team as we push even further into this arena.

NEFE: What accomplishment are you most proud of from your time at NEFE?

AF: A few weeks after I started, I was asked to oversee the completion of a large number of new Web development projects over a very short period of time. This gave me the opportunity to quickly familiarize myself with NEFE's programs and people who I didn't yet know very well. I'm happy to say that we were able to complete a substantial amount of work in a very short time frame, meeting both our time and budget goals. It was an amazing team effort, and I was very proud of what we accomplished by the end of 2015.

NEFE: What has been a memorable moment or experience at NEFE?

AF: At the start of each year our CEO, Ted Beck, meets with staff members individually to discuss their experiences and goals. A couple weeks after I had completed my interview, Ted stopped in my office to let me know that he received very positive feedback from other staff members about working with me. I was so struck by that moment — it was like a breath of fresh air. That kind of positive motivation is so important. It didn't just make my day, it made my month.

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

AF: I want to become much more familiar with the educational resources that NEFE offers. I personally have not been exposed to a lot of formal financial education, so I would like to improve my own financial skills. I also want to learn more about the different audiences that we serve and go deeper into the content. I've always been very comfortable with the technology portion of things, and I am excited to expand my knowledge on the financial side.

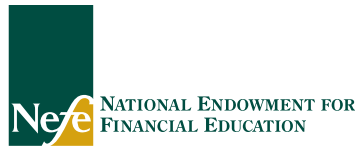
NEFE: What project are you most excited about in 2016?

AF: I think that the Smart About Money (www.SmartAboutMoney.org) website redesign is going to be one of our biggest achievements of the year. Not only will the initial launch be exciting, I am also eager to see how we can continue to build on SAM. I think it will be a website that can continue to grow with NEFE and I'm really excited for the future of that project. 🏀

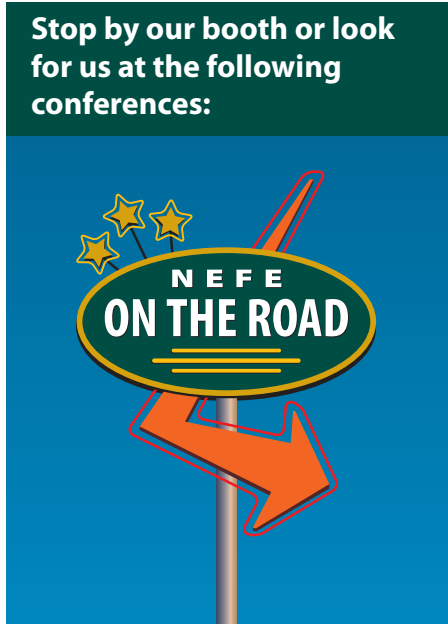
NEFE CEO Blogs for *The Wall Street Journal*

Check out *The Wall Street Journal's* "The Experts" Blog for NEFE President and CEO Ted Beck's take on timely personal finance topics, ranging from the latest NEFE-funded research findings to personal reflections like "Confessions of a Failed Early-Stage Investor." 

Visit blogs.wsj.com/experts.



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

Research and Evaluation Conference on Self-Sufficiency	June 1-3	Washington, D.C.
Florida Prosperity Partnership	June 1-3	Orlando, Fla.
SIFMA Foundation Symposium	June 2-4	New York, N.Y.
Clinton Global Initiative (CGI) America	June 12-14	Atlanta
National Summit on Collegiate Financial Wellness (NSCFW)	June 14-17	Columbus, Ohio
Center for Financial Services Innovation (CFSI) EMERGE Forum	June 15-17	New Orleans
American Council on Consumer Interests (ACCI) Conference	June 9-10	Arlington, Va.
Society for Human Resource Management (SHRM) Conference	June 19-22	Washington, D.C.
Iowa Jump\$tart Conference	June 22	Ankeny, Iowa
American Association of Family and Consumer Sciences (AAFCS) Conference	June 23-25	Bellevue, Wash.
Public Radio News Directors, Inc., Conference	June 23-26	St. Louis National
Oxford Conference on Business and Poverty	July 4-5	Oxford, England
Association of Student Financial Aid Administrators (NASFAA) Conference	July 9-13	Washington, D.C.
National Council for Community and Education Partnerships (NCCEP)/ Gear Up Conference	July 17-20	Washington, D.C.
National Youth Involvement Board (NYIB) Conference	July 26-29	San Antonio, Texas
California Professionals in Human Resources Association	Aug. 28-31	Long Beach, Calif.
National Alliance for Community Economic Development Associations	Aug. 29-31	Cleveland, Ohio
Community Action Partnership (NCAP) Conference	Aug. 30-Sept. 2	Austin, Texas
Council for Opportunity in Education (COE) Conference	Aug. 30-Sept. 2	San Diego

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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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