

Promoting Consumer Wellness through Financial Education

Jennifer L. Hunter
University of Kentucky

Martie Gillen
University of Florida

Kristyn Jackson
University of Kentucky

Alex Elswick
University of Kentucky

Abstract

The consequences of the Great Recession, and the extended period of slow economic growth that followed, encouraged individuals to become more aware of their financial situation (Brown 2009). Cooperative Extension is uniquely positioned to provide unbiased, research-based financial education to consumers. This paper specifically highlights the financial education efforts of two southern states' Family and Consumer Science Extension programs, Kentucky and Florida. The emphasized educational lessons have two primary goals: (1) Individuals and families will demonstrate financial literacy and sound basic financial practices, and (2) Adults and families will prepare financial matters during periods of transition and/or major life events.

Keywords

financial education, Great Recession, life skills education, Cooperative Extension

Introduction

Financial literacy, the knowledge of basic financial matters such as saving and investing money, is not well understood by the typical consumer. The lack of financial literacy has been well-documented in the United States (Bernheim 1995; Lusardi and Mitchell 2005; Consumer Financial Literacy Survey 2014). In fact, to underscore this reality, Lusardi (2012) has demonstrated that two-thirds of Americans are unable to answer even the most basic questions about financial concepts. Additionally, Lusardi found that financial literacy tends to decrease

with age. Adults are struggling as much, if not more, than the younger generations with their financial illiteracy (Lusardi 2012).

One plausible explanation for adults' increasing lack of financial literacy pertains to the changed financial landscape. Since the Great Recession (2007 to 2009) and even before it, the nature of the economy has evolved. Where individuals at one time relied largely upon pensions by which their retirements were structured for them, today's retirees do not enjoy the same luxury. Instead, they must prepare for their own retirement by saving and investing (Lusardi 2012). Additionally, the rising cost of post-secondary education means that young adults graduate college with more student loan debt than ever before (College Board 2008). These realities suggest that financial education is important for adult and youth consumers alike.

A variety of financial education programs exist that target varying groups of people with varying rates of success (Gale 2012; Avard, Manton, English, and Walker 2005; Mandell 2008). Worker-targeted financial education programs, which were implemented to counteract the expanded role of workers in deciding retirement contributions, have found significant positive results such as higher rates of 401(k) participation, higher contributions, and higher account balances (Gale 2012). Student-targeted financial education, typically offered in the K-12 system with the most emphasis given in high school, focuses on large range of personal finance topics. Borrower-targeted financial education is important to Americans mired in debt following the recession. It usually comes in the form of credit and mortgage counseling (Bernheim and Garrett 2003). In addition to an assortment of financial education programs that exist in the marketplace, educational programming efforts offered through the Cooperative Extension Service have proven to successfully provide practical life skills education that is unbiased, research based, promotes consumer wellness, and assists individuals in responding to changing economic conditions. This paper highlights a variety of educational programs developed specifically to help consumers increase knowledge and skills that create positive behavior practices related to managing available financial and non-financial resources. Consequently, the long-term goal is to assist individuals in maximizing or extending resources to maintain or increase financial stability.

Program need

The Great Recession, and the extended period of slow economic growth which followed, encouraged individuals to become more aware of their financial situation (Brown 2009). This paper specifically highlights the financial education efforts of two southern states Cooperative Extension programs, Kentucky and Florida. Kentucky consistently lags behind other areas of the United States in key household economic indicators, including personal income, population living below the poverty line, unemployment, and revolving debt (Troske and Jepsen 2011). These indicators, especially unemployment numbers became more exaggerated during the period of the Great Recession (Troske and Jepsen 2011). Kentucky households are still struggling to get

themselves back on stable financial footing. Despite observing a slow improvement in some of the areas of financial management, Kentucky has several financial challenges yet to overcome. The main economic indicators relevant to the context of the state of Florida are bankruptcy, poverty, foreclosure, and credit card and student loan debt level. At present, economists are cautiously optimistic regarding future economic forecasts for both states; however, it is important to acknowledge the impact of current economic conditions on family financial management.

Program development

Similar to other Cooperative Extension programs across the country, both the Kentucky and Florida Family Financial Management Cooperative Extension Programs recognized the need and opportunity to provide financial education programming in the post-recessionary period; specifically, these programs sought to promote financial well-being. Programmatic materials were developed based upon two primary goals: (1) individuals and families will demonstrate financial literacy and sound basic financial practices, and (2) adults and families will prepare finances during periods of transition and/or major life events.

Desired programmatic outcomes include the following:

Knowledge, Opinions, Skills, and Aspirations / Initial

- Participants will show increased knowledge and skills related to managing available financial and non-financial resources.
- Participants will identify short-, medium-, and long-term personal goals and objectives related to maintaining and improving their financial stability.

Behavioral Practices / Intermediate

- Participants will adopt one or more short-, mid- or long-term financial planning strategy
- Participants will practice one or more resource management behavior(s) resulting in increased savings or investments
- Participants will examine personal and financial stability on a regular basis (at least annually)

Social, Economic or Environmental Change / Long Term

- Participants will maximize or extend resources to maintain or increase financial stability
- Participants will report improved family financial stability and economic well-being
- Participants will improve the quality of their financial life resulting in a stronger family

Overview of programmatic materials

Through a series of county-based information gathering sessions, as well as a review of Plan of Work documentation submitted by county Extension agents, the demand for practical life skills education to help individuals understand and respond to changing economic conditions, while promoting healthy financial behaviors across the lifespan, became evident. Examples of programmatic offerings specifically developed to meet this need are highlighted below.

Program name: Managing in Tough Times: Rebounding Your Finance\$ After Recession

The goal for this KY developed program is to assist clientele in defining and examining key money management practices. The program is supported by the rationale that many individuals, families, and households were unprepared to manage the rapidly changing economic conditions associated with the Great Recession and the continued period of slow economic growth. It is important to help individuals understand and respond to economic conditions or their *new* financial realities. Recognizing and developing a plan to adjust to the new financial normal is key to becoming better prepared to manage future economic challenges (Hunter 2012a). The publication that accompanies this program is available at <http://www2.ca.uky.edu/agcomm/pubs/FCS5/FCS5457/FCS5457.pdf>.

Learning Objectives:

- To explain key steps in identifying and comparing current income and expenses
- To identify strategies to scale back or reduce expenses
- To identify common obstacles and coping strategies for specific financial situations

Program Name: The Ins and Outs of Downsizing Your Home

The goal for this Kentucky-developed program is to assist participants in understanding the process of downsizing to a smaller home. The program is supported by the rationale that the U.S. Census Bureau estimates that the average person will move 11.7 times during his or her lifetime. Although there are many reasons for a person to consider moving, downsizing to a smaller home has become a recent trend. Smaller homes typically require less maintenance and can result in significant savings for the homeowner.

Learning Objectives:

- To understand the steps of the downsizing process.
- To identify strategies for preparing a home for downsizing.
- To identify strategies for preparing for the move into a new, smaller home.

Program Name: Evaluating Your Health Insurance Options

The goal of this Kentucky-developed program is to assist clientele in evaluating their health insurance needs and investigating health insurance options. The program is supported by the rationale that with the recent introduction of the Patient Protection and Affordable Care Act (ACA) and a growing number of individuals becoming Medicare eligible, it is important to ensure that individuals and families understand the health insurance options available to them. In addition, careful planning eliminates the stress associated with evaluating health insurance options. Recognizing which choices exist and developing a strategic plan to assess the plan that most appropriately meets your needs are key to becoming an informed consumer (Hunter, Peritore, and Jackson 2015). The publications that accompany this program are available at <http://www2.ca.uky.edu/agcomm/pubs/FCS5/FCS5461/FCS5461.pdf> and <http://www2.ca.uky.edu/agcomm/pubs/FCS5/FCS5463/FCS5463.pdf>.

Learning Objectives:

- To identify health care wants and needs
- To identify strategies for developing a planned buying process for a health insurance plan
- To assist participants in understanding Medicare and Medicare options

Program Name: Savvy Sellers and Bargain Hunters: Basic Guide to Yard Sales and Consignment Shops

The goal of this Kentucky-developed program is to maximize profits and savings by becoming a successful seller and bargain hunter. The program is supported by the rationale that changes in the economy have forced many individuals to reduce spending in order to manage their finances. One advantage of recycling and reusing materials is the reduction of waste going into the environment. Buying and selling items through yard sales and consignment shops provides unique opportunities for earning money by selling items that are no longer needed, and for spending less by purchasing gently used items at a reduced cost (Hunter 2013). The publication that accompanies this program is available at <http://www2.ca.uky.edu/agcomm/pubs/FCS5/FCS5460/FCS5460.pdf>

Learning Objectives:

- To understand the difference between yard sales, consignment shops, and thrift stores
- To identify whether you have personal items that could be sold and determine which outlets would be the best fit in which to sell these personal items
- To learn helpful steps in planning a yard sale and prepare yourself to host one

Program Name: Maximizing Your Retirement Dollars

The goal of this Kentucky-developed program is to assist clientele in defining and examining practices that maximize money for retirees. This program is supported by the rationale that feeling financially secure is important at all stages of life. Unfortunately, due to recent changes in the economy, many retirees are feeling financially vulnerable. It is important to help retirees understand how to maximize their money by creating and using a budget as well as understanding different investing options. Recognizing and developing a plan for the retirement stage of life is key to feeling financially secure (Hunter 2012b). The publication that accompanies this program is available at <http://www2.ca.uky.edu/agcomm/pubs/FCS5/FCS5458/FCS5458.pdf>.

Learning Objectives:

- To identify sources of retirement income
- To define the terms “fixed and flexible expenses” and identify common strategies for tracking flexible expenses
- To understand the benefits and risks associated with different retirement asset investment products

Program Name: Women and Money: Unique Issues

The goal of this Florida-developed program is to provide participants with financial decision-making knowledge and skills across the life cycle. This program is supported by the rationale that women will likely encounter changes across their life cycle and through family transitions that impact their current and future financial well-being. Women are better equipped to deal with economic shocks when they are well informed. In general, women compared to men earn less, are more likely to serve as the primary caregiver for children and elderly parents, are more likely to experience poverty, are more likely to be widowed, and live longer (Gillen 2014).

Learning Objectives:

- To identify family transitions and life cycle issues affecting women’s personal finances
- To organize important documents
- To create SMART personal financial goals
- To develop an appropriate personal spending plan
- To develop a plan to minimize their risks and losses
- To make informed and appropriate decisions regarding investment choices
- To identify key elements of an estate plan
- To identify key issues that need to be addressed when facing the loss of a spouse

Impact

The above highlighted programs have been offered in their respective states during programmatic years 2013 through 2015. A common evaluation instrument was used for the five KY programs listed: (1) Rebounding Your Finances after Recession, (2) The Ins and Outs of Downsizing Your Home, (3) Evaluating Your Healthy Insurance Options, (4) Savvy Sellers and Bargain Hunters, and (5) Maximizing Your Retirement Dollars. All five programs were delivered in a similar face-to-face single session format. The average number of participants per educational session was 26. Each program was offered multiple times throughout the state. A total of 354 participants completed the retrospective pretest-then-posttest instrument. The survey instrument consisted of ten questions measuring level of understanding, intended behavior change as a result of program participation, and satisfaction with the program. Table 1 displays the pre-program and post-program assessment of knowledge level. Participants responded to a statement which read as follows: "For each topic listed below, please indicate your level of knowledge BEFORE/AFTER participating in the program." Responses were presented in a Likert fashion ranging from 1 = Poor to 4 = Excellent. Paired sample t-tests were calculated to compare the mean pretest score to the mean posttest score for each topic. A statistically significant increase in self-reported knowledge gained was found from preprogram to post-program for all measures.

Table 1. Paired t-tests for retrospective pretest (n= 354)

[Table 1 Summary: For the five KY programs a statistically significant increase in self-reported knowledge gained was found from preprogram to post-program for all measures.]

Variable	Preprogram		Postprogram		<i>p</i>
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
Learned how to manage/address current issues focused on program subject matter	2.57	.76	3.67	.41	0.000
Can identify coping strategies on program subject matter	2.55	.75	3.68	.36	0.000
Confidence in handling program subject matter	2.59	.082	3.65	.40	0.000

In addition to measuring change, participants were asked to respond to three action statements. The response matrix is presented in Table 2.

Table 2. Intended action as a result of educational program

[Table 2 Summary: For the five KY programs, the majority of participants indicated a positive response to the three action statements.]

Measure	Yes (%)	No (%)
Create one specific goal on program subject	83	17
Take action toward implementing goal	84	16
Implement one financial strategy from program subject	61	39

Paired sample t-tests were conducted to compare the mean pretest score to the mean posttest score for each Women and Money topic. Statistically significant increases in self-reported financial knowledge across all ten areas were noted.

Table 3. Paired t-tests for retrospective pretest and posttest- Women and Money (n=124)

[Table 3 Summary: Paired t-tests for retrospective pretest – posttest for Women and Money.]

Variable	Preprogram		Postprogram		<i>p</i>
	<i>Mean</i>	<i>SD</i>	<i>Mean</i>	<i>SD</i>	
Identify family transitions & life cycle issues affecting women's finances	3.09	1.01	4.39	0.62	0.003
Be confident about my ability to make successful financial decisions	3.01	1.03	4.25	0.70	0.000
Efficiently & effectively organize my financial documents	2.88	1.07	4.30	0.61	0.000

Set SMART financial goals	2.82	1.08	4.30	0.55	0.000
Understand how my emotions influence how I use my money	3.24	1.08	4.48	0.56	0.000
Develop a spending plan	2.96	1.10	4.36	0.71	0.000
Understand different investment options	2.43	1.13	4.11	0.76	0.001
Evaluate investment options	2.25	1.00	4.01	0.75	0.000
Choose a financial professional/advisor	2.46	1.24	4.12	0.72	0.000
Develop an estate plan	2.44	1.15	4.02	0.77	0.000

Implications for Cooperative Extension Program

Although a consumer may have many options available to seek financial education programs in the marketplace, Extension's community based personal finance educational programs are very much needed in society today. The response to and the continued demand for non-biased, research-based educational programming affirms the role and service that Cooperative Extension provides to our local communities. At a time when Americans are becoming increasingly responsible for their own financial future, Extension provides information and resources that consumers need to make smart money management decisions across the life cycle while operating in a complex marketplace. The programs described above are accessible to Extension faculty in other states for replication. Please contact the authors for further information.

References

Avard, S., E. Manton, D. English, and J. Walker. 2005. "The financial knowledge of college freshman." *College Student Journal* 39(2): 321-339.

Bernheim, B. 1995. "Do households appreciate their financial vulnerabilities? An analysis of actions, perceptions, and public policy." *Tax Policy and Economic Growth* 1-30. Washington, DC: American Council for Capital Formation.

Bernheim, B. Douglas, and Daniel M. Garrett. 2003. "The effects of financial education in the workplace: Evidence from a survey of households." *Journal of Public Economics* 87(7-8): 1487-1519.

Bernheim, B. Douglas, Daniel M. Garrett, and Dean M. Maki. 2001. "Education and saving: The long-term effects of high school financial curriculum mandates." *Journal of Public Economics* 80(3): 435-465.

Brown, S. K. 2009. "A year-end look at the economic slowdown's impact on middle-aged and older Americans." Washington, DC: AARP.

College Board. 2008. "Trends in college pricing." Washington, DC: College Board. <https://trends.collegeboard.org/college-pricing>.

Gillen, M. 2014. "Providing money management education to women through Extension – Women and Money: Unique Issues." *The Forum for Family and Consumer Issues*. 19(1).

Hunter, J. 2012a. "Maximizing your dollars in retirement." University of Kentucky College of Agriculture. Cooperative Extension Service. FCS5-458:3.

Hunter, J. 2012b. "Rebounding your finances after the great recession." University of Kentucky College of Agriculture. Cooperative Extension Service. FCS5-457:4.

Hunter, J. 2013. "Savvy sellers and bargain hunters: A basics guide to yard sales and consignment shops." University of Kentucky College of Agriculture. Cooperative Extension Service. FCS5-460:4.

Hunter, J., N. Peritore, and K. Jackson. 2014. "Evaluating your health insurance needs." University of Kentucky College of Agriculture. Cooperative Extension Service. FCS5-461:4.

Hunter, J., N. Peritore, and K. Jackson. 2015. "Investigating your health insurance options." University of Kentucky College of Agriculture. Cooperative Extension Service. FCS5-463.

Lusardi, A., and O. Mitchell. 2005. "Financial literacy and planning: Implications for retirement wellbeing." Michigan Retirement Research Center Research Paper No. WP 2005-108.

Lusardi, A. 2012. "Financial literacy and financial decision-making in older adults." *Generations* 36(2): 25-32.

Mandell, L. 2008. "The financial literacy of young American adults." *The Jumpstart Coalition for Personal Financial Literacy*. <http://www.jumpstart.org/assets/files/2008SurveyBook.pdf>.

National Public Radio. 2014. "The unemployment rate in every state, before and after the great recession." <http://www.npr.org/sections/money/2014/09/04/345796900/the-unemployment-rate-in-every-state-before-and-after-the-great-recession>.

National Foundation for Credit Counseling. 2014. "The 2014 consumer financial literacy survey." https://www.nfcc.org/NewsRoom/FinancialLiteracy/files2013/NFCC_2014FinancialLiteracySurvey_datasheet_and_key_findings_031314%20FINAL.pdf,

Troske, K., and C. Jepsen. "The U.S. and Kentucky economies in 2010: When will the recovery 'really start'?" University of Kentucky, Gatton College of Business and Economics, Center for Business and Economic Research, 2011. *Kentucky Annual Economic Report*.