May 2017

April 2017 ASEC Partners Meeting Addresses Trends in the Savings Habits of Americans

On April 19, 2017, the American Savings Education Council (ASEC) Partners gathered for the Spring meeting where speakers addressed Americans' confidence in their savings preparation for retirement, the behaviors of committed savers, and how technology can help support individuals to save more and better. **Click here to view the full attendee list and click here to view the ASEC Partner list.**

The following summarizes the presentations by Craig Copeland, Senior Research Associate with EBRI; Madeline Daniels, Communications Director with America Saves; and Michelle Hammonds, Program Manager, Bank on DC, and Blake Allison, CEO & President, FELA/LifeCents.

Retirement Confidence

Craig Copeland with EBRI reported on the findings from the 2017 EBRI Retirement Confidence Survey, its 27th year. In 2017 the survey was conducted online for the first time with more than 1,600 Americans answering the survey - 1,082 workers and 589 retirees.

Overall Craig reported that 60% of workers feel confident they will have enough money saved for retirement, with 18% saying they are very confident. The share of workers feeling very confident or somewhat confident declined from 64% in 2016 to 60% in 2017, which is closer to the 59% reported in 2015. Individuals with some type of retirement plan (IRA, DC Plan, DB Plan) are nearly three times as likely as those without a plan to report they are very confident, 23% versus 8%. Both levels are lower in 2017 than in 2016 when 26% of individuals with a plan reported being very confident compared with 10% of those without a plan.

Some of this year's findings show workers age 55 and over and those at higher income levels report higher confidence – 67% of workers age 55 and above and 79% of workers with $75,000 or more in annual income report being very or somewhat confident. There were also differences in confidence by gender as well with married males and females reporting the highest confidence and single females reporting the lowest. These results were comparable to the FINRA 2016 National Financial Capability Survey that showed men reported higher confidence than women. This difference could be a reflection of the fact that women are more likely to live longer and earn less. In looking at reported confidence for covering basic expenses in retirement, two-thirds of workers are confident they will have enough money to cover basic expenses while more than 80% of retiree's report confidence in covering basic expenses.

The 2017 survey also found that nonretirees have not done a lot of financial planning preparation. The survey found that 18% of workers feel very confident they are doing a good job of preparing for retirement, while 30% of retirees are very confident they did a good job preparing. When workers were asked if they have tried to calculate how much money they will need to save for retirement, 41% reported having done so.[i] Two thirds of workers who said they have done this calculation said they expect to need $500,000 or more. Among those individuals who have reported doing a calculation, there appears to be an increase in the savings goal and an increase in confidence. In terms of preparing a formal retirement plan, only 11% of workers reported having done so.

In looking at retirees, the most commonly reported planning task was calculating their Social Security benefit, which was reported by 62%. None of the other nine planning tasks mentioned had as a high a rate of response.

Regarding saving and investing in preparation for retirement, 61% of workers reported ever having personally saved for retirement (in addition to Social Security or a fully-funded employer plan). This finding is heavily correlated to income, the higher the income the more likely the worker saved on their own. Of current workers, 56% are currently saving for retirement with large differences existing between workers with a plan and those without a plan as well as by income level. Striking differences exist in the amount saved for retirement between those workers with a plan and those without a plan – 87% of workers without a retirement plan (DC, DB, and IRA) have less than $25,000 saved compared with 33% of those with a plan.

By comparison, 76% of retirees reported ever saving for retirement on their own. Nearly 40% of retirees without a DB plan didn't save at all. Craig referred to previous EBRI research that showed a high percentage of people are preserving assets in retirement. He stated that 70% of those with an IRA only take the RMD (required minimum distribution), showing that many are hesitant to spend down the principal. There was also evidence that some RMDs could be less than dividends so balances could increase.

The RCS results also showed differences between the age at which workers expect to retire and the median retirement age of retirees. Workers reported that they expect to retire at age 65 while the median age of those who retired was age 62. Approximately one-half of retirees retired earlier than planned. The number one reason was due to a health or disability issue. Nearly one-quarter reported an earlier retirement age because they could afford to do so.

This year's survey included new questions related to individuals' current financial situation. Somewhat more than one-half of workers and retirees feel very or somewhat secure in their current financial situation. Retirees are more likely to feel their financial situation is very good or excellent. In looking at what most concerns workers about their financial situation, about 60% are concerned about future expenses, health expenses, and unexpected expenses each. While retirees are a little less concerned about future or unplanned expenses, they also feel more at ease about current expenses than future unknown expenses.

Debt is described as a major problem for 18% of workers and 9% of retirees and along with this comes less confidence expressed by those with debt compared to those without. Thirty percent of people report worrying about their finances at work with 53% of those saying they would be much or somewhat more productive if not worrying. More than one-half of workers (53%) said that retirement planning programs could help them be more productive at work. Craig raised the possibility that this information could give employers impetus to do more research about the effectiveness of such programs. He also stated that financial wellness programs mean many different things to different people and what features people find effective vary widely.

About thirty percent of workers are stressed about their preparations for retirement with 25% reporting they are not stressed at all. Those that report higher levels of stress are older, lower income, lower educated workers. Nearly three quarters (71%) of those who report they are not stressed, feel very or somewhat secure about their finances. In terms of retirees, 22% report being stressed about their retirement preparations and one-half of those didn't remember when the stress began.

In his conclusion, Craig offered these takeaways:

1) Confidence is linked to retirement plan ownership
2) Forty percent of workers have performed a retirement income calculation
3) Expecting to work longer is a risky strategy as nearly 50% of retirees report retiring earlier than planned
4) Workers are concerned about future or unexpected costs
5) Those with debt are less confident and less financially secure
6) Financial security and retirement preparation can have an impact on worker productivity and mental health.

Committed Savers' Behavior

The next speaker was **Madeline Daniels with America Saves.** Her presentation discussed how simple savings interventions can impact individuals' savings behavior, and she described the components of the America Saves program. Madeline cited statistics from financial experts about a savings crisis in the United States - 46% of Americans would not be able to cover a $400 emergency expense or would do so by selling or borrowing and of the 30-49 age group a greater number had more credit card debt than emergency savings. She also cited research that shows Americans' perceived savings interest, effort and effectiveness are at a three-year low, particularly among low to moderate income people.

In looking at Americans' banking and savings behavior Madeline said there are opportunities that can be capitalized on to affect savings behavior. According to Federal Deposit Insurance Corporation (FDIC) statistics, in 2015 just 7% of individuals were unbanked. According to a National Automated Clearing House Association survey, 82% of workers in 2016 were paid by direct deposit via ACH and about 1 in 4 workers paid by direct deposit split a portion of their deposit into some type of savings account. Statistics from America Saves surveys show that individuals with a savings plan save more than those without a plan, 64% of those saving use a traditional savings account and 49% save automatically through direct deposit transfer.

The first component of the America Saves Program Madeline highlighted was the America Saves Pledge. Since its inception 15 years ago over 530,000 savings pledges or repledges have been taken. In 2017 over 50,000 pledges or repledges were taken resulting in nearly $4.9 million pledged in total monthly savings for 2017. A demographic study of these committed savers (those who made the pledge to save) shows that 77% are female, 44% are under age 35 and 56% are white. Sixty two percent cited a positive reason for taking the pledge such as saving for retirement, having money for a large purchase such as a car or home and wanting to be prepared for emergencies. Thirty eight percent cited a negative reason for taking the pledge such as having trouble staying on top of bills, the need to improve debt/credit and fear about the future. Madeline commented that this comparison between positive reasons versus negative reasons for savings may indicate positive messaging is more effective than doom and gloom statements. Yet, negative reasons can also be opportunities to intervene and promote saving.

Additional statistics on committed savers also provide insights on other opportunities for education and intervention. For example, when asked what barriers they face to saving, approximately 40% of committed savers cited spending on nonessential items and one-third cited they have habits that are hard to break. In looking at the actions committed savers are taking to reach their savings goals, more than two-thirds cited monitoring their accounts, opening an account specifically for savings or becoming more knowledgeable about savings. In evaluating their efforts to reach their savings goals, 54% of committed savers said they were somewhat successful and 31% said they were very successful.

Other interventions that America Saves works on include promoting Split to Save (splitting direct deposit pay between savings and checking accounts); working with employers to implement the savings pledge as part of the hiring process; Military Saves; Local America Saves Campaigns; and Young Workers Programs.

The Military Saves program is a version of America Saves directed to service members and their families and Local America Saves Campaigns are organized in communities around the country. The Young Workers Program focuses on young first time summer workers from low income households because many of them are inexperienced when it comes to savings and banking. America Saves has joined with summer youth employment programs around the country encouraging young workers to take the Savings Pledge and to encourage them to open a bank account. According to Madeline, because of this program they have seen a 66% increase in bank account ownership among this group and 70% of those who took the pledge said they made a deposit to their savings account in the past month.

The final intervention Madeline mentioned was America Saves Week. During this week, which ASEC cosponsors, good savings behavior is promoted to a variety of audiences. There are many opportunities for public sector, private sector and nonprofit organizations to promote savings during the week. In 2017 more than 1,600 organizations participated, using many different strategies to promote savings to their employees and their external audiences.

Madeline invited ASEC Partners to collaborate with America Saves by participating in America Saves Week. She also shared information about their Partner Resource Packet that includes prewritten content for blog posts, social media, op-eds, and graphics; website links; and embeddable pledge forms. These resources can be used throughout the year with America Saves introducing new savings related themes every 8 weeks.

Financial Education Technology and Financially Fit DC

Michelle Hammonds with the District of Columbia Department of Insurance, Securities and Banking (DISB), and Blake Allison with Financial Education & Literacy Advisers (FELA) were the next speakers**.** They presented on the public-private initiative between the District of Columbia Government and FELA as an example of how technology can be used to affect change in individuals' personal financial management behaviors.

Giving some background, Michelle cited statistics about the District of Columbia population. She cited that 41% of the population lives in liquid asset poverty, meaning they don't have any savings to enable themselves to live above the poverty line for three months, 12% are unbanked and 25% underbanked. Unbanked means they do not have a bank account nor do they use traditional banking services. Underbanked means they use alternative financial services such as check cashers or pay day loans even though they have a bank account.

Financially Fit DC was launched in January 2017 under the direction of District of Columbia Mayor Muriel Bowser to encourage residents to take control and improve their financial health and well-being. The goal of this initiative is to make the city the most financially fit city in the country by utilizing an interactive web platform that allows residents to evaluate and improve their financial health, to develop personalized financial action plans, and to connect them to relevant District programs and services. The program is administered through a partnership between FELA and Bank On DC. Bank on DC is operated through the DISB. FELA developed and manages LifeCents, which is the online financial education app used in Financially Fit DC.

Michelle explained that the Financially Fit DC program helps individuals recognize what good financial health looks like and gives them access to tools, tips and resources to help them improve their financial situation. The first step is to generate awareness around the concepts of good financial health starting with an initial assessment to evaluate participants' health in three areas – financial IQ, financial habits and financial mindset. The financial IQ portion measures applied knowledge; financial habits measures what individuals are or are not doing that is helping or harming their financial health; and financial mindset measures individuals' confidence and ability to make good financial decisions.

Some of the topics addressed are budgeting, savings, retirement savings, credit use and credit score, and home buying. Individuals take their assessment privately through Financially Fit DC powered by LifeCents. The app aligns with frameworks from the Center for Financial Services Innovation (CFSI) and the Consumer Financial Protection Bureau (CFPB) regarding the important elements of personal financial health and shows how they fit together for a holistic view of personal financial well-being.

Blake described that once individuals complete their assessment they receive a personalized road map ("wellness plan") that includes content, activities and connections to District programs and services relevant to their situation. This personalized approach is the crux of the program because it meets people where they are financially in their lives. For example, if individuals do not have a bank account and are spending on average $800 a year to access their own money, the program would provide connections to programs like Bank on DC to guide them in opening a bank account. Or as another example, if participants already own a home, they wouldn't receive information on a first-time homebuyer's down payment savings program.

Blake explained that the District's programs, services and even some community partners are integrated into LifeCents so that participants access only the most relevant information for their needs. LifeCents doesn't natively contain all the information within the app, but rather, it operates like a primary care doctor who refers individuals to appropriate [specialist] services and programs based on an initial diagnosis and health assessment. As participants take action, their profiles are updated and they unlock badges, rewards, connections and other content that identify additional steps and activities to help them achieve their individual goals.

In addition, LifeCents allows participants to compare their progress and performance against peer groups so they can see how they are doing versus others in similar situations. This approach contributes to sustaining engagement in the program and in turn is a powerful motivator to engage people and drive positive behavior change. For example, when individuals are recommended a new activity or connection they can see how many of their peers have accessed this information and acted upon it.

Also, LifeCents uses a robust messaging system to continue to communicate with and engage participants even when they are not logged into LifeCents. The messages or "nudges" are highly-personalized and targeted based on each participant's profile and interactions with LifeCents. These nudges are sent as emails designed to reinforce information they have been exposed to and interacted with in LifeCents and to encourage specific actions.

Michelle and Blake also spoke about how Financially Fit DC measures user progress, performance and achievement. The underlying data to support these measures can be accessed at any time through the LifeCents Reporting Portal (for partners and clients). The Portal provides access to real time data and analytics on participation, progress and profiles of participants, as well as overall program performance and outcomes measures. For example, the reporting capabilities can show how many connections were accessed as well as converted into actions such as checking a credit score, automating a budget with an online budget tool or learning about a retirement savings program.

Furthermore, the analytics and insights available through the Reporting Portal cover a wide range of measures. For example, every user interaction with LifeCents is time stamped so administrators can see when participants engage and how long they spend in each session. They are also able to see from where participants link to the site whether it is from a mobile device or computer. In addition, Blake reported that the click through rate is about 50% meaning that about one half of individuals who are directed to specific resources take action, which is exceptionally high for this type of web metric.

Blake highlighted that the goal is not necessarily to have participants login to LifeCents every day. Instead the focus is to meet people where they are and help them make progress towards the goals that are most impactful for them. In addition, Financially Fit DC can continually customize the LifeCents program to ensure that the information, tools, resources and "connections" are relevant to the overall program goals and objectives. The user data can also be used to identify user needs and potential gaps in resources in the program.

All District of Columbia residents are welcome to enroll with Financially Fit DC for free. Michelle and Blake also encouraged program providers to incorporate elements of the Financially Fit DC Program into their existing programs, invite DISB and Bank on DC to present with their organization or to partner with them to develop a similar program in their city or community.

ASEC Partner Updates

Mary Liz Burns with AARP announced AARP is launching a new Ad Council Campaign July 19 focused on encouraging middle income 50-somethings with access to retirement plans to save more for retirement. The goal of the campaign is to stop the negative headlines and flip the narrative around retirement planning and saving to one that empowers individuals. The campaign will feature straightforward tips and tricks these individuals can take immediately. AARP will have a tool kit available that partnering organizations will be able to share with their audiences and will explore other opportunities for partnering with this campaign after launch.

Gabriela Prudencio with the AARP Foundation reported that the foundation focuses its work on four impact areas, one of which is financial and income security. Details about their work can be found on their website.

Cailin Crokett/Valeria Soroka with the Administration for Community Living/Administration on Aging reported that The Pension Counseling and Information Program, which currently funds six regional counseling centers around the country to help individuals locate lost pension plans as a result of mergers and acquisitions, is currently exploring gender issues as it relates to lost pensions.

Madeline Daniels with America Saves reported that the winners of this year's America Saves Designation of Savings Excellence will be announced in the next several weeks. This designation is given to banks and credit unions that work hard to encourage individuals to save during America Saves Week.

Tony Hausner with the American Association of Individual Investors DC Metro Chapter said that the national organization has several basic publications about stocks, bonds, and mutual funds available. Further, they have a monthly journal and several other resources for its members. He also said the DC Metro Chapter will hold its next meeting on May 20 which will feature John P. Reese, CEO and Founder of Validea.com, who will present on ***"Factor-based Investing Inspired by Wall Street Greats like Lynch & Buffett"***. For more information visit its website at aaiidcmetro.com

Claudia Cieslak with The American Institute of CPAs highlighted their highly successfully *360 Degrees to Financial Literacy* program; results from their annual Harris Survey conducted in March that showed less than one half of non-retired Americans are confident they will reach their financial goals by retirement (which is similar to the results of the EBRI Retirement Confidence Survey); additional results from the survey showed Americans say cost is more important than time when making purchase decisions and that technology can help people budget their time and money; and, on the topic of fake financial news, the survey reveals that fake financial news has the potential to be a real serious problem, and it's impacting Americans' ability to make retirement, investment and healthcare decisions. Claudia also mentioned the upcoming release of 360's Money Minutes consumer video series, which include end quizzes, and a new digital game coming in May from their Feed the Pig Campaign that is designed to help people create a relationship with a future version of themselves.

Hannah Levy with the American Council on Life Insurance: The organization is working to amplify its presence on social media by promoting the corporate social responsibility and financial education initiatives of its members. You can find the ACLI on Facebook, Twitter, YouTube and LinkedIn.

Mechel Glass with the Consumer Financial Protection Bureau: Mechel Glass reported the new assistant director in the Office of Servicemember Affairs is Paul Kantwill. The department is finalizing its annual report called "Charting our course through the military lifecycle" which is a look back into where we have been and a look forward to the work that lies ahead. The report should be available to the general public on our consumerfinance.gov website by the end of May 2017.

Erin Scheithe with the Consumer Financial Protection Bureau Older Americans Office highlighted several resources targeted to help older Americans that the CFPB provides: a January report about the increase in student loan debt among older consumers; a Social Security Benefits Estimator to help determine what is the best age for you to begin collecting your social security benefits; the newly-released second version of the Money Smart for Older Adults, a collaborative effort with the FDIC to prevent elder financial exploitation; and information on managing someone else's money.

Kristen Zarenko with the Department of Labor Employee Benefits Security Administration highlighted a free public webinar that was held April 26th geared for transitioning military members. Speakers from EBSA, the Certified Financial Planner Board of Standards, DOL's Veterans' Employment and Training Service, and the Department of Veterans Affairs discussed resources and strategies for finding a private sector or civilian government job and taking advantage of retirement savings and other benefits. The webinar has been archived and will be accessible to the public from EBSA's website.

Peter Chandler with Financial Industry Regulatory Authority mentioned its Investor Alerts they publish with the most recent one on binary options follow up schemes. Some of their alerts geared to older Americans have covered inherited IRAs and Required Minimum Distributions for inherited and stretch IRAs. From the FINRA Foundation Gary Mottola is extrapolating specific data points from the National Financial Capability Study about Native Americans. Two interesting points being highlighted are that 63% of Native Americans have a difficul time making ends meet and 25% are able to come up with $2,000 in 30 days for a financial emergency.

Nancy Montoya with the Financial Literacy and Education Commission (FLEC) reported that the Commission is participating in Financial Capability Month in several ways. These include a “tweet a day” for every day during the month of April through the USA.gov twitter account follower list to 341,836 subscribers. These tweets feature a financial education resource for the public from their member agencies and the #plan4financialfuture. In addition, a blog discussing a “financial spruce-up” and providing links to resources received 1,121 hits. On April 25, Treasury, FDIC, NCUA, USDA and FTC hosted a webinar titled “From Knowing to Doing: What Works in Improving America’s Financial Capability?” Jump$tart and NEFE were very helpful in retweeting resources and promoting the webinar.

The next FLEC Public Meeting will be held Wednesday, May 24 from 9 a.m. to 12 noon and will provide data on the Program for International Student Assessment’s financial literacy results for the U.S.’s 15 year olds. A discussion on what the PISA results tell us about financial literacy in the United States will follow. Register here.

Ken Worthy with the National Credit Union Administration (NCUA) reported that NCUA promoted its own financial capability resources and those of the Financial Literacy and Education Commission during April’s Financial Capability Month to credit unions, their member-owners and consumers. He also reminded ASEC partners that NCUA offers financial education information and interactive financial learning tools to help consumers make smarter financial choices on the MyCreditUnion.gov website. If ASEC partners have resources and information relevant to credit unions or their member-owners they should reach out to Ken at kworthey@ncua.gov. ASEC partners are also encouraged to visit, link to and share MyCreditUnion.gov with their audiences.

Ted Beck with the National Endowment for Financial Education (NEFE) listed six major research projects currently underway or recently completed that NEFE has funded: Social Influences on Financial Decision Making out of Duke University; Untangling the Determinants on Retirement Savings Balances out of the New School; Building Financial Self-Efficacy in Low Income Young Children out of University of Kansas; Diverging Paths: Youth Debt, College Loans, and Family Backgrounds out of Ohio State University; Financial Capability and Asset Building: Preparing Social Workers out of Washington University and a Longitudinal Study on College Students out of the University of Arizona. NEFE prepares reports on all its research studies and shares them with the media and policymakers. The NEFE website has also expanded the resources in its adult education programs section available for financial educators and the consumer resource section features resources to help individuals through all stages of life. Ted also mentioned the May 24 release of the PISA data (Programme for International Student Assessment) which will compare the financial capabilities of 15-year-olds in the United States versus the rest of the world.

Denise Murray with the Office of the Comptroller of the Currency reminded partners that the OCC circulates a bimonthly Financial Literacy Update enewsletter that goes to 30,000 subscribers. Organizations interested in submitting an item for inclusion can send it to Denise at denise.murray@occ.treas.gov. Updates can be submitted anytime and they will be saved for the appropriate publication date.

Alan Sorcher with the Securities and Exchange Commission reported that that SEC is airing the 2nd phase of its public service campaign designed to encourage investors to check the background of their financial professionals. The PSAs are airing on television, radio and digital media. The SEC operates the www.investor.gov website designed to get information to the public and investors. One of the resources found on the website is the Investor Bulletins that cover a variety of topics including recent ones on Robo Advisors and Stock Recommendations on Investment Research Websites. As part of MoneySmart Week, the SEC participated in webinars with Coast Guard, Veterans Affairs and the National Futures Association to help teach investors the red flags of investment fraud.

Cindy Hounsell with Women's Institute for Secure Retirement (WISER) reported that in May which is Older Americans' Month, WISER will release its "Women's Retirement Blueprint." The iOme (I OWE ME) Challenge, which is a national student competition to raise awareness of the nation's retirement crisis and the need for the millennial generation to save for their futures, is currently underway. Students submit papers on ways to address the retirement crisis and the winner is announced on June 21 at WISER's National Symposium in Washington, DC. The winning paper's author(s) receive a $5,000 prize. WISER is also hosting its annual National Women's Symposium on September 21.

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[i] For individuals with household incomes less $35,000, 21% have done the calculation. This increases to 28% for individuals with household incomes between $35,000 and $74,999 and to 57% for individuals with household incomes of $75,000 or more. Furthermore, just 11% of those without a retirement plan (DB, DC, or IRA) did the calculation, compared with 57% of those with a retirement plan.