

issue briefs

Family Financial Education



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RETIREMENT AND ESTATE PLANNING BASICS

A Foundation for Retirement Planning: The AARP Finances 50+ Model

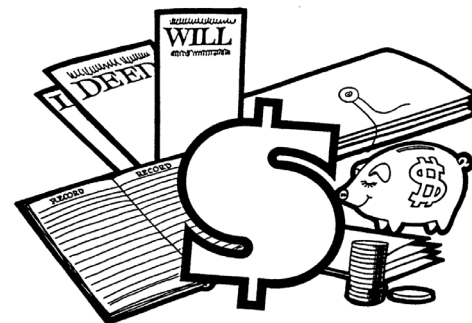
Retirement planning is a major emphasis of many financial education efforts, especially in the workplace and for families with higher levels of savings and investments. One group often missed in these efforts are working families with little or no savings, who spent their earned income supporting their children and perhaps even investing in education. As people enter their fifties, they need to begin to make plans for the transition to retirement. The median total value of all financial assets is under \$50,000 for lower-income people over age 50 and only half of this population has retirement savings available through their employer.

In prior Financial Series Briefs, we have covered issues related to “[Rules of Thumb](#)” for retirement planning (especially in terms of how much to save) as well as “[Understanding Social Security Claiming Options](#).” This brief is focused on a specific curriculum designed to target a population of interest for many community-based educators: lower-income working adults close to retirement age (within 20 years of retirement).

Middle Age Working and Lower Income Populations

The target audience for basic retirement education are people between age 50 and 70 with lower incomes, generally meaning people who are working but qualify for public assistance like FoodShare (SNAP), the Earned Income Tax Credit (EITC) or similar programs. Generally, these are people earning \$18,000 to \$50,000 annually. These families often do not have retirement benefits through their employer, but most will qualify for Social Security. Complex families are common for this population, including single parents and multigenerational households.

For these families, retirement planning is not related to managing estate taxes or making choices about how to invest in a retirement account—generally this population has few investable assets. Instead, key issues are related to budgeting, building up emergency funds, managing credit and making plans for how much to work later in life. Key decisions include when to reduce work hours or retire completely from work.



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Finances 50+

The AARP Foundation and the Charles Schwab Foundation designed a general financial capability curriculum targeted to the low-income 50+ age population in 2012 called Finances 50+ (see: www.aarp.org/finances50plus). AARP then piloted the program in 11 communities with over 2,750 participants. The program was subject to a detailed [evaluation study](#), involving a team of researchers include the [UW-Madison Center for Financial Security](#).

Finances 50+ is made up of three 90-minute sessions, each focused on a different aspect of managing finances for adults before retirement. The course sessions have specific learning objectives related to building and enhancing financial decision making and ability. Classes can be delivered by financial educators or volunteers, and Finances 50+ includes materials that can be used to support volunteer financial coaches (called “mentors” in this model). Materials are all [online](#) and available in English, Spanish and Chinese. Typically sessions are held once per week for three consecutive weeks. Each session includes a post-class assessment.

The course is interactive by design. Participants in Finances 50+ set financial goals, develop a spending plan, and review credit reports. Each session has interactive exercises that are discussed in the session. The hands on exercises ultimately result in individual “Action Plans” which can then be used as the basis for financial coaches/mentors to conduct telephone or in-person follow-up.

Content Areas

Finances 50+ includes three sessions:

I: How to get where you want to go?

- Goal: Understand financial situation; set realistic financial goals; develop an effective budget.
- Activities: Self-assessment, Evaluating net worth, Goal-setting and Budgeting

II: Taking Control of Credit and Debt

- Goal: Understand how to use a credit report; analyze credit card statements; manage debt.
- Activities: Credit report review, Measuring the cost of debt; Dealing with debt problems

III: Building and Protecting your Assets

- Goal: Develop a spending plan; Understand how to avoid frauds and scams; Implement a financial plan.
- Activities: Saving planning, Protecting assets, Developing an Action Plan

Support Materials

Finances 50+ has a workbook posted online for participants, as well as an instructor guide. The booklet and all instructional materials can be used in an electronic or printed format. They do not provide a presentation, but worksheets and handouts are available as pdf documents. There are also background materials to prepare the coaches or mentors who may follow up with learners on their Action Plans. The guide includes instructional notes and answers to quizzes and in class scenarios for facilitators.

Facilitators and coaches/mentors can be volunteers who are tasked with interacting with learners during and after workshops. While volunteers may be financial professionals, they should be instructed to not provide specific financial advice. Finances 50+ is intentionally designed to be accessible and welcoming. People in the program should never feel judged, especially about past financial behaviors. The program is designed to help people find solutions to improve their financial well-being now and in the future.

AARP also includes a series of online interactive tools on its website which can be used outside of class or with the coach/mentor. These include [benefits checks](#), financial [calculators](#) and an [interactive planning tool](#).

Evidence of Impact

A pre-test post-test evaluation was conducted with the participants in the pilot. Financial behaviors, including behaviors around spending, saving, budgeting, investing, handling debt, etc., were measured prior to training (baseline) and at two follow-up time points (three- and six-month post training). A group of learners who did not take part in Finances 50+ were also surveyed as a comparison group.

Financial Stress

Participants in Finances 50+ demonstrated reduced levels of anxiety about their financial situation after the training, with the proportion “very worried” dropping from 22% to 14% from baseline to six months post-training, while those “not very/not at all worried” increased from 34% to 42% during the same time period. Greater control over finances is a core component of [financial well-being](#).

Financial Behaviors

Statistically significant post-training six-month changes in self-reported behaviors included:

- Calculating net worth increased from 28% to 40%
- Reducing financial fees increased from 38% to 49%
- Staying within budget increased from 51% to 62%
- Prioritizing debt payment increased from 40% to 49%
- Reviewing credit card statement increased from 61% to 71%

Likewise, frequency of some “negative” behaviors declined significantly 6 months post, including:

- Overdrawn bank accounts decreased from 18% to 11%
- Being contacted by a collector decreased from 23% to 17%
- Taking out a payday loan decreased from 7% to 4%

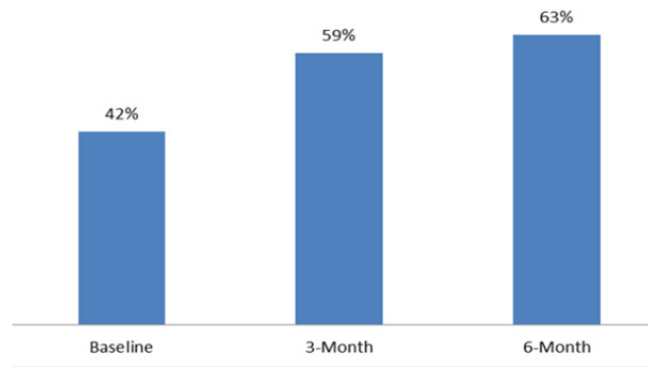
Savings

People who took part in Finances 50+ demonstrated a statistically significant increase in reporting saving six months after the training. The program is associated with a 50% increase in people reporting *some* saving behavior. In total, 15% reported higher *non-retirement* savings and 23% reported higher *retirement* savings over the six months.

Goals

Developing a clear financial goal was a major accomplishment for those who took the training, with the rate of participants setting a goal increasing from 42% to 63%. Among those with a defined goal, the proportion with an Action Plan increased from 33% to 46% by the end of the study. As shown in Figure 1, as more time passed, participants sustained and increased the rate of having a financial goal.

Figure 1: Percent of Participants with at Least One Financial Goal



Building on Finances 50+

Participants in Finances 50+ have a solid foundation for managing their finances, including an Action Plan and budget, as well as the beginning of savings. After these three sessions, and potentially follow-up by coaches/mentors, people will continue with further retirement planning. Additional financial issues for follow-up programming include:

- Claiming Social Security and understanding Medicare
- Managing retirement accounts, roll-overs and spending down retirement assets
- Preparing a will and estate planning

Resources developed by the federal government and university programs that community-based educators might consider related to these topics include:

- US Department of Labor “[Savings Fitness: A Guide to Your Money and Your Financial Future](#)”. This is an online guide including interactive worksheets.
- Rutgers Extension “[Financial Fitness for the Best Rest of Your Life](#)”
- UW Extension’s “[Family Estate Planning](#)”
- Boston College’s “[Social Security Claiming Guide](#)”
- National Endowment for Financial Education (NEFE) “[My Retirement Paycheck](#)” website provides online resources, fact sheets, and calculators related to retirement planning
- Texas A&M Agrilife Extension website devoted to financial planning for Generation X & Y women, including a [section on investing for retirement](#)

- UW-Extension program “[Shifting Gears for the Later Years](#)” on the topic of farm family retirement planning. Typically offered in partnership with County ANRE Agent and community partners (financial planner, tax accountant, etc.)
- Iowa State University Extension and Outreach website featuring “[Retirement: Secure Your Future](#)” publications, worksheets, and videos
- eXtension’s 11-unit self-study guide “[Investing for Your Future](#)” curriculum is not specific to retirement, but includes many of the building blocks needed for retirement planning. One version is specific to farming families and investing.

Of course, this population also may benefit from other supportive family living education related to aging and caregiving. Resources within UW Extension Cooperative Extension include:

- [Videos](#) on caring for elders
- University of Idaho Extension has [teaching resources, fact sheets, and publications](#) (some items are Idaho specific) related to end of life planning
- Created by University of Minnesota Extension and available through the UW-Extension Media Collection, “[Who Gets Grandma’s Yellow Pie Plate](#)” provides teaching materials and worksheets on estate planning for non-titled personal property

Conclusions

As the Baby Boom ages, there are increasing demands on educators to help people prepare for retirement. It is important that the foundation of this programming is based on basic budgeting, goal setting and action planning—all activities that are common across financial education programs. Once people have a basic grounding in these principles, the needs of learners can be met with existing resources related to specific issues or decisions. There is a growing array of high quality, evidence based materials in this area which can be useful for educators targeting this population.

Other Resources:

[EBRI annual retirement confidence survey](#) is used as background and to support writing situation statements



The University of Wisconsin-Extension (UWEX) Cooperative Extension’s mission extends the knowledge and resources of the University of Wisconsin to people where they live and work. Issue Briefs are an ongoing series of the Family Financial Education Team. This brief was drafted by J. Michael Collins, Associate Professor in Consumer Finance and Extension State

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