Highlights from the Center for Financial Literacy at Boston College

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SSA’s entrance into financial literacy is a game-changer.

- Trusted source
- 1,300 field offices
- Annual statements to 150 million
And SSA support allowed us to experiment with a wide range of projects.

- Academic research
- Randomized trials
- Product development
- Development plan for a go-to website
The first step was to find out how well current approaches are working (Gale).

- None of the four traditional approaches – employer-based, school-based, credit counseling, or community-based – shows strong evidence of substantial success.

- Other approaches do show promise, such as simplifying the savings decision through defaults.

- Private sector efforts, such as on-line information, have mushroomed in recent years but have not yet been evaluated.

- Evidence suggests that a public information campaign that is credible, targeted, and timely could be successful.

A more focused project explored why people misuse target date funds (Agnew et al.).

Individual Investment in Target Date Funds

- Two or more target date funds only, 2%
- Two or more target date funds plus other funds, 6%
- One target-date fund, 46%
- One target-date plus other funds, 46%

Field trials evaluated possible approaches for debt reduction (Karlan and Zinman).

- Borrow Less Tomorrow (BoLT) helps clients repay their debt using a clear schedule, peer supporters, regular reminders, and oversight.

- Using random assignment, BoLT has been implemented at a site in Tulsa, OK for the past six months.

- BoLT is being expanded to another site to ensure a large enough sample for effective evaluations of the program’s impact.
BC developed educational products for near and new retirees to supplement prior work.

“Best source of information on how to fix Social Security.”


“…check out ‘The Social Security Claiming Guide’… a solid and colorful summary of the rules and your options.”

*Wall Street Journal*, February 20, 2010
Target Your Retirement complements our Claiming Guide and builds on research.

The National Retirement Risk Index

Note: The National Retirement Risk Index (NRRI) measures the percentage of working-age households that are ‘at risk’ of being unable to maintain their pre-retirement standard of living in retirement.

From the start, Target focuses like a laser on the three big levers.

Control Spending

Work Longer

Use Your House
Target teaches users the power of these levers.
Testing confirms *Target* is an effective teaching tool.

Percent of Participants Listing Levers as Actions to Increase Financial Security in Retirement

<table>
<thead>
<tr>
<th>Action</th>
<th>Before Target</th>
<th>After Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control spending</td>
<td>67%</td>
<td>40%</td>
</tr>
<tr>
<td>Work longer</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Use your house</td>
<td>96%</td>
<td>92%</td>
</tr>
</tbody>
</table>

*Source:* Results from product testing conducted by the Center for Interdisciplinary Behavioral Finance Research at William & Mary.
Managing Your Money responds to challenges identified in research.

“I live cautiously, I’ve tried to save, but life is expensive. And I think that that’s scary.”

**DC Pension Coverage**

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>12%</td>
</tr>
<tr>
<td>1995</td>
<td>56%</td>
</tr>
<tr>
<td>2007</td>
<td>63%</td>
</tr>
</tbody>
</table>

**Life Expectancy at 65**

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>20.1</td>
<td>22.3</td>
</tr>
</tbody>
</table>

**Health Cost Risk at 65**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>$260</td>
</tr>
<tr>
<td>95th percentile</td>
<td>$570</td>
</tr>
</tbody>
</table>

This publication helps people identify what they need and what they have.
Testing forced many revisions to respond to anxiety, mistrust, and resistance.

“I always thought somebody else was going to take care of me...[now I realize] that nobody is going to take care of me.”

“Health is a wild card, finances are a wild card, and your ability to control [it] diminishes as you get older. So, uncertainty is anxiety-producing.”

“With all the stories that are recurring [about] fraud, and everything else...you really come to value an independent source that you can trust.”

Source: Results from product testing conducted by the Center for Interdisciplinary Behavioral Finance Research at William & Mary.
Curious responds to research on how our DNA prevents good retirement decisions.

The rational brain is easily overloaded and susceptible to emotional and cognitive impediments to successful retirement planning.
This interactive tool highlights obstacles using humor and a light touch.
Testing of *Curious* indicates positive response to individual vignettes.

Product Testing Responses, 0=Very Negative, 100=Very Positive

Source: Results from product testing conducted by the Center for Interdisciplinary Behavioral Finance Research at William & Mary.
Our final product was a development plan for a “go-to” website (NBER).

Using the web is essential:

- It is increasingly where people go for information;

- it is cheap, efficient, and accessible; and

- it is a way to establish an ongoing relationship with individuals.
A survey of existing U.S. websites confirmed that none fully met people’s needs.

<table>
<thead>
<tr>
<th>Data aggregators</th>
<th>Decision tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mint.com</td>
<td>Simplifi.net</td>
</tr>
<tr>
<td>Morningstar.com</td>
<td>PSECU.com</td>
</tr>
<tr>
<td>Bankrate.com</td>
<td>Fidelity.com</td>
</tr>
<tr>
<td><em>Narrow scope, commercial influence</em></td>
<td><em>Often used to market products, narrow scope</em></td>
</tr>
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<table>
<thead>
<tr>
<th>Financial communities</th>
<th>Personal finance news</th>
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</thead>
<tbody>
<tr>
<td>Bogleheads.org</td>
<td>Yahoo personal finance</td>
</tr>
<tr>
<td>Fool.com</td>
<td>CNN personal finance</td>
</tr>
<tr>
<td>Getrichslowly.org</td>
<td>Kiplinger</td>
</tr>
<tr>
<td><em>Quality of advice</em></td>
<td><em>Shallow content</em></td>
</tr>
</tbody>
</table>
International search revealed NZ’s Sorted as a successful model, now adapted by others.
This finding led us to support the notion of a comprehensive trusted website for the U.S.
For both products & website, broad usage is key to improving the nation’s financial literacy.

- Social Security Administration (SSA) could lead a national campaign.

- The Consumer Financial Protection Bureau’s new Office of Financial Literacy could play an important role.

- Other federal agencies could assist with promotion and marketing.
Conclusion

• A successful financial literacy effort to improve households’ decisions on a national scale needs:
  
  • effective financial education products grounded in research and informed by extensive testing;
  • a go-to national website to house the products; and
  • a broad and sustained marketing effort to ensure widespread usage.

• We welcome this opportunity to get your reactions to our vision and on products that will be displayed during the conference