ENTERPRISING RURAL FAMILIES

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This newsletter is an instrument of the Enterprising Rural Families: Making It Work program of University of Wyoming Extension. For further information concerning the Enterprising Rural Families Program or on-line course contact

Understanding Financial Well-Being

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The U.S. Consumer Financial Protection Bureau sponsored a webinar this week to discuss *Financial well-being: What it means and how to help*. This study provides the first-ever definition of financial well-being created directly out of

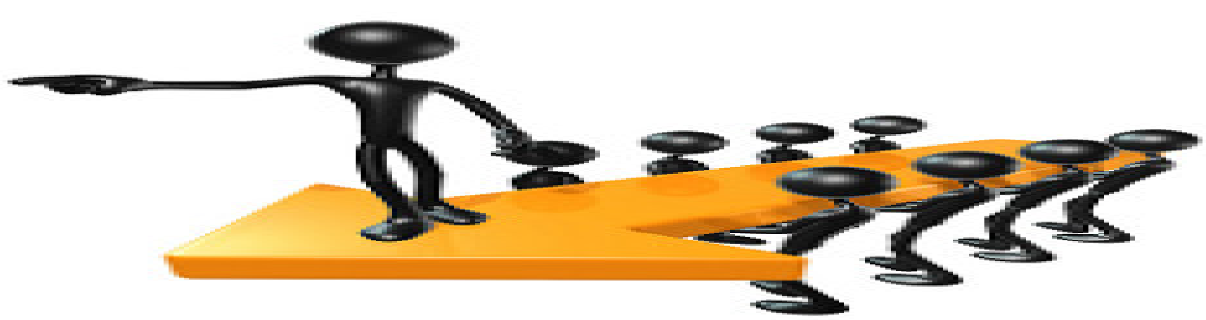
the voices of consumers. Consumers can experience financial well-being –or lack of it- regardless of income. The sense of financial well-being is not fully described by objective financial measures, it is defined as having financial security and financial freedom of choice, in the present and in the future.

Understanding financial well-being is crucial to helping consumers achieve it.

The four elements of financial well-being

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

The researchers on the Consumer Financial Protection Bureau interviewed consumers and financial professionals to learn how people experience financial well-being. That data along with an analysis of exciting studies of financial literacy, psychology, decision making, and related fields helped to create the following visual guide which outlines the factors that lead to a person's financial well-being at a specified moment.



What influences financial well being

Social and economic environment What surrounds you in your family and community.	**Personality and attitudes** How you tend to think, feel and act **Decision context** How a particular decision is presented.	**Behavior** What you actually do	**Personal financial well-being** How satisfied you are with your financial situation
	Available opportunities What options are open to you		

The diagram acknowledges that at any time, some factors of financial well-being are within a person's control, and some aren't.

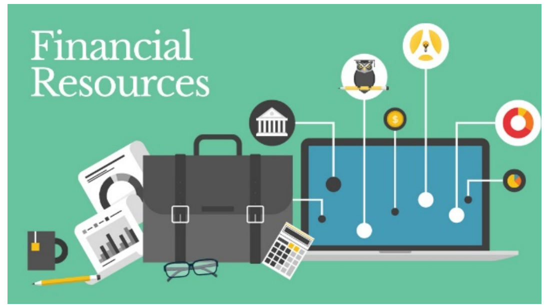
Social and economic environment can expand or limit a person's opportunities. Take for example, some employees are offered a retirement plan at work, while others aren't. This presents a decision framework that can make a difference in an action the employee may take. For example some employers require workers to opt into a retirement plan, while others make participation automatic and allow employees to opt out.

Financial behavior is also influenced by personality, knowledge, skills and attitudes. The actions consumers take, within the choices available to them, create their level of financial well-being.

American consumers are struggling with feeling uneasy and financially insecure. Many families report living paycheck to paycheck. At night many Americans ponder how to make ends meet. Seven out of ten American workers say financial stress is their most common cause of stress. When morning comes these same individuals take their place in offices and businesses where they are expected to do their best to help their employer succeed. These workers don't leave their money works at home.

"Financial wellness at work is increasingly important both to employers and to employees," said CFPB Director Richard Cordray. "A financially capable workforce is a more satisfied and engaged workforce that is also more productive..."

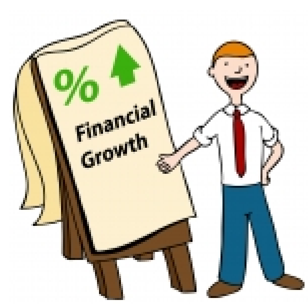
The Financial wellness at work, a review of promising practices and policies report outlines a business case for financial wellness and the opportunity for employers. It is intended to serve as a resource for employers who are interested in promoting employee financial well-being by helping their employees develop the skills to better manage their money.



The business case for financial wellness and the opportunity for employers.

- Financial stress and employer cost
  - Financial stress is often cited and a distraction from work and a factor that reduces productivity and engagement. Surveys report that debt stress has a high negative impact on health.
- Employee engagement
  - Engaged employees are defined as those who are not only satisfied with their work, and company, they also are enthusiastic and committed to the mission of their company and willing to go the extra mile for the company. Financial wellness appears to be positively correlated with satisfaction with and pride in the employer's company.
- Leveraging existing benefits
  - Companies that utilize programs to enhance the financial capabilities of their employees can maximize the benefit they get from existing investments in employee benefits. 401(k) plans are a case highlighted in the report. Employers invest heavily in 401(k) plan design and management, the delivery of investment advice and matching contributions. The goal is to build employee loyalty and ensure employees are able to finance their retirement. Unfortunately many employees are using their 401(k) plan as an expensive form of emergency savings.
    The study suggests that a more comprehensive financial education program which includes goal-setting and debt management can provide employees with important information about both the value of their benefits and the importance of balancing short-term needs against long-term goals, whereas training solely on the basics of a 401(k) plan does not accomplish this.

- Education is a low-cost/high-return opportunity
  - Programs that build financial capability and enhance financial wellness offer the potential to leverage employer investments and create a large payoff for a small expenditure. Training programs to help employees build skills in budgeting and saving to address needs before they become emergencies need not be expensive or complicated.

    The mechanism for delivering financial wellness programs may be as important as the content. Employees may be reluctant to discuss embarrassing financial information with coworkers or even with contractors hired to deliver financial education unless it becomes an ingrained part of the workplace culture.

If financial fitness is to become part of the work place culture, begin the effort as new employees are hired and on boarded.

Employers are aware of the financial stress that most Americans deal with. Some companies are moved to help employees through financial troubles because they consider it the right thing to do. But employers who are motivated to take the necessary steps to develop comprehensive financial wellness programs are doing so for the following reasons.

- Employers are keenly aware of the financial stress facing many employees and they are genuinely interested in helping the people who work for them.
- Customer-centric businesses are worried that financially stressed employees will not provide the level of service required to succeed in a competitive marketplace.
- Human resources professionals are concerned matching funds in 401(k) programs are being used to meet short-term emergencies, undermining an expensive benefit program.
- Many employers believe financial wellness programs are an important way for employers to show they genuinely care about employees and are an effective way to reduce employee turnover and build loyalty.

Source:
Financial wellness at work. A review of promising practices and policies, Consumer Financial Protection Bureau, August 2014. http://files.consumerfinance.gov/f/201408_cfpb_report_financial-wellness-at-work.pdf
Financial well-being: What it means and how to help, Consumer Financial Protection Bureau, 2017. http://files.consumerfinance.gov/f/201501_cfpb_digest_financial-well-being.pdf

Tip of the Month

Many Americans talk about having more money in retirement and dream of living on a tropical island or a mountain paradise. Celebrating unstructured time with family and friends. Is this your reality? The only way to truly know is to crunch the numbers. What resources do you have available? How much money do I have saved and invested? Is your health good and do you have insurance? There are many more questions to ponder when considering retirement. Below is a checklist of things to ask yourself before you quit work for good.
I recently came across an article from Fidelity Investments which provided this retirement checklist https://www.mysavingsatwork.com/atwork/1104818723638/1104818723684/1115701245945.htm
The checklist below can help you organize your activities before you retire.
1. Determine your retirement expenses
2. Review your insurance coverage
3. Note Medicare milestones on your calendar
4. Know when to apply for your Social Security benefits
5. Develop a retirement income plan
6. Select pension benefits and retirement distribution options
7. Review wills, trusts, powers of attorney, and beneficiaries
8. Set aside emergency funds

<u>For Wyoming Residence: The following is an upcoming opportunity for financial literacy education.</u>

Money Management Training – How can we make a difference in our community?

For communities to be healthy, all the members of the community have to be healthy. One component of health is financial health and unfortunately too many people are struggling in this area. According to the Federal Reserve's 2015 Report on the Economic Well-Being of U.S. Households "31 percent, or approximately 76 million adults, are either 'struggling to get by' or are 'just getting by.'" This is impacting the savings rate of these families and their ability to handle emergency expenses. This same report also found that "Forty-six percent of adults say they either could not cover an emergency expense costing $400, or would cover it by selling something or borrowing money." These statistics are not helped by the fact that too many people are not comfortable with their knowledge of money management. The 2016 Consumer Financial Literacy Survey prepared for the National Foundation for Credit Counseling found that a large majority of adults feel that they could benefit from advice and answers to everyday financial questions from a professional.

Money management training can and does make a difference. In 2007 the Federal Deposit Insurance Corporation (FDIC) conducted a longitudinal analysis of the impact of their Money Smart curriculum. They found that following the training 69% of respondents reported that they had increased their savings and 53% had decreased their debt. Almost half of the respondents indicated that the training made the management of their finances "much better" while 38 percent said a "little better."

The real question is, "do you really have to be a financial literacy professional to help people increase their money management skills?" The University of Wyoming Extension community development education (CDE) initiative team doesn't think so. They know that the best way to help someone increase their money management skills is through a caring relationship. Knowing this, the CDE team developed the Master Money Manager Coach (M3C) program to help individuals and groups help others to increase their money management skills.

The M3C program provides training on coaching others and introduces participants to the FDIC's Money Smart curriculum. Groups that work with financially at risk families are especially encouraged to attend so they can incorporate money management training into their existing programs. The number of spaces for participants in the program is limited to ensure that the area CDE educator can provide plenty of one-on-one support. The program will be launching in Cheyenne this summer on August 16th and 17th, in Jackson on September 13th and 14th, and in Gillette on January 24th and 25th. If you are interested in participating or know an organization that should, email Juliet Daniels (juliet.daniels@uwyo.edu) for more information.