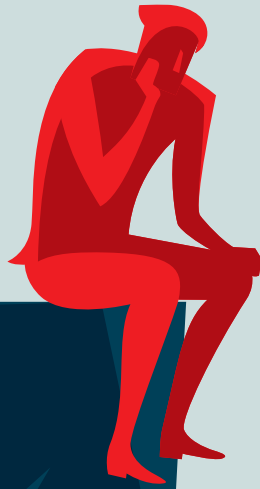


Nefe Digest

Summer 2018



Fragile in America:

Nearly 2 in 5 Live on the Financial Edge

NEFE Names New CEO
(Page 11)



NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION

Thirty-six percent (36%) of American working adults could not cover an unexpected \$2,000 expense within 30 days. That means a single medical bill or car repair can trigger a chain of financial losses: More debt damages credit, leading to worse loan terms. Medical conditions go untreated, limiting the ability to work. Lack of assets such as insurance, credit cards and retirement accounts mean higher spending, more fees and interest, and less future security.

A broad cross-section of Americans of all ages and incomes are financially fragile, but middle-aged and middle-income families are surprisingly vulnerable. New research shows higher financial literacy helps offset everyone's risk.

Continued on page 2

What Is Financial Fragility?

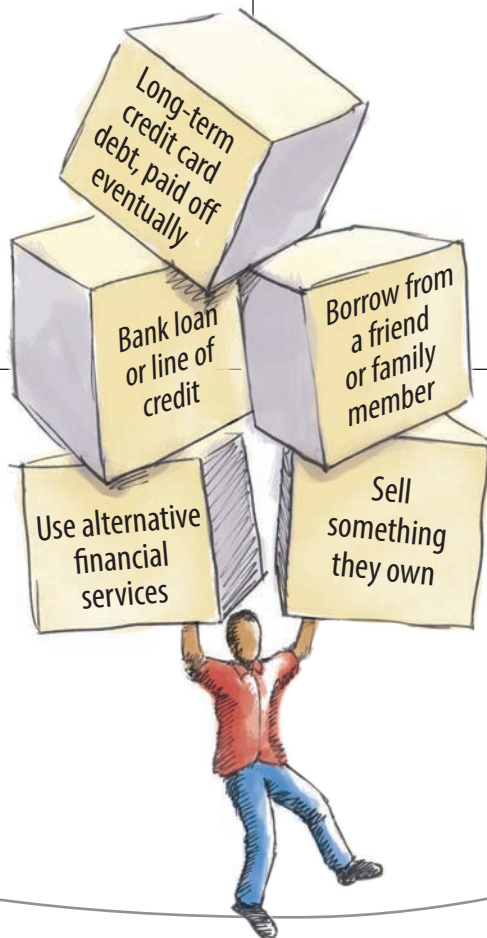
A new study from the Global Financial Literacy Excellence Center (GFLEC) at The George Washington University defines financial fragility as the inability to cope with an immediate \$400 emergency expense or being unable to come up with \$2,000 in 30 days.

The study analyzes data from two nationally representative data sets — the 2015 National Financial Capability Study

(NFCS) and the 2015 Survey of Household Economics and Decisionmaking (SHED).

The researchers focused on individuals who are in their prime working years (ages 25 – 60) and not retired. People outside this age range are more likely to have different characteristics, needs and financial behaviors. People under 25 may be students with no labor income, while those over 60 may be retired and receiving Social Security benefits.

	NFCS Survey	SHED Survey
Percentage of financially fragile households according to this data	36 percent	41 percent
Survey question asked	“How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?”	“Suppose that you have an emergency expense that costs \$400. Based on your current financial situation, how would you pay for this expense?”
Definition of financial fragility	Those who say they “probably could not” or “certainly could not” come up with \$2,000 are considered financially fragile.	Those who responded with any but the first two options are considered financially fragile. <ul style="list-style-type: none"> • Charging to a credit card and repaying the amount in full with the next statement • Using cash or savings currently in checking/savings accounts <p>Financially fragile</p> <ul style="list-style-type: none"> • <i>Taking on long-term credit card debt and paying it off eventually</i> • <i>Using a bank loan or line of credit</i> • <i>Borrowing from a friend or family member</i> • <i>Using alternative financial services</i> • <i>Selling something they own</i>

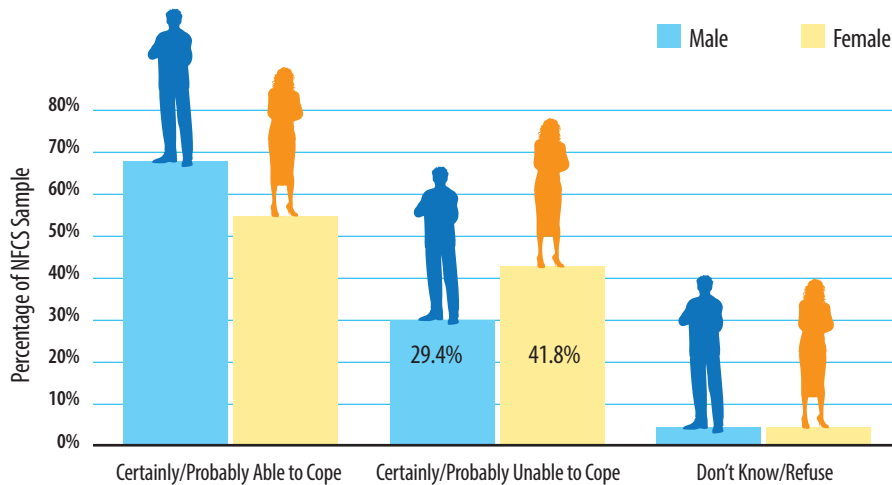


Who Is Financially Fragile?

During the Great Recession, nearly 50 percent of working-age adults were considered financially fragile. Although the

U.S. economy has recovered steadily over the past 10 years, household financial fragility remains high at 36 percent.

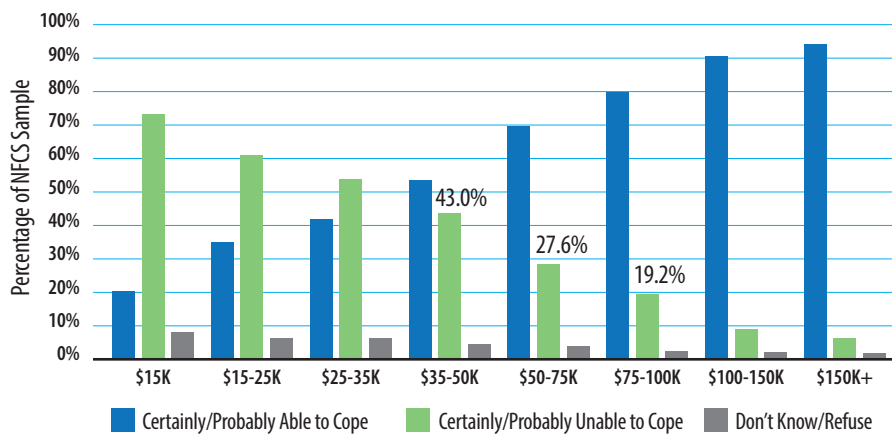
Gender and Ability to Cope



Women are significantly more likely to be fragile than men.

- 42 percent of women versus 29 percent of men are financially fragile.
- Women in the 40- to 44-year-old age group are more likely to be financially fragile than 25- to 29-year-old women.
- Marriage makes women less likely to be financially fragile, while there is no significant effect for men.
- Employment of any kind makes women less likely to be financially fragile.

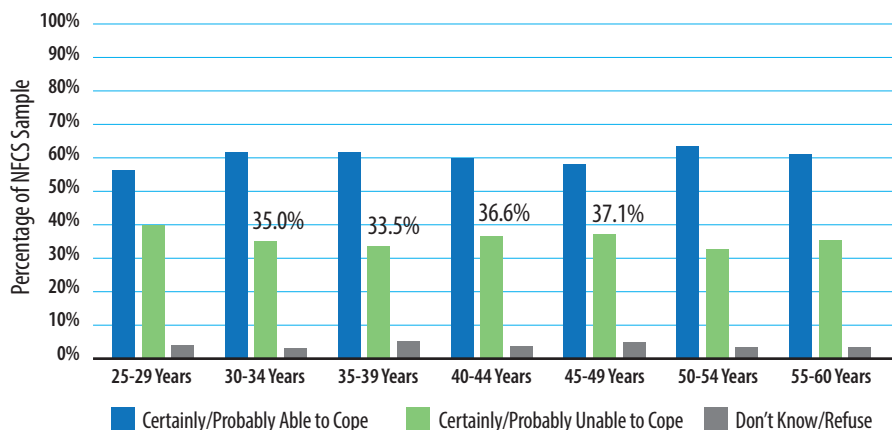
Income Level and Ability to Cope



Financial fragility decreases steadily with increasing income.

- Households with annual incomes in the \$35 - 50,000 range (43 percent) are far more likely to be financially fragile than those earning \$50 - 75,000 (28 percent).
- Almost 30 percent of middle-income households (\$50 - 75,000) and 20 percent of high-income households (\$75 - 100,000) are financially fragile.

Age and Ability to Cope



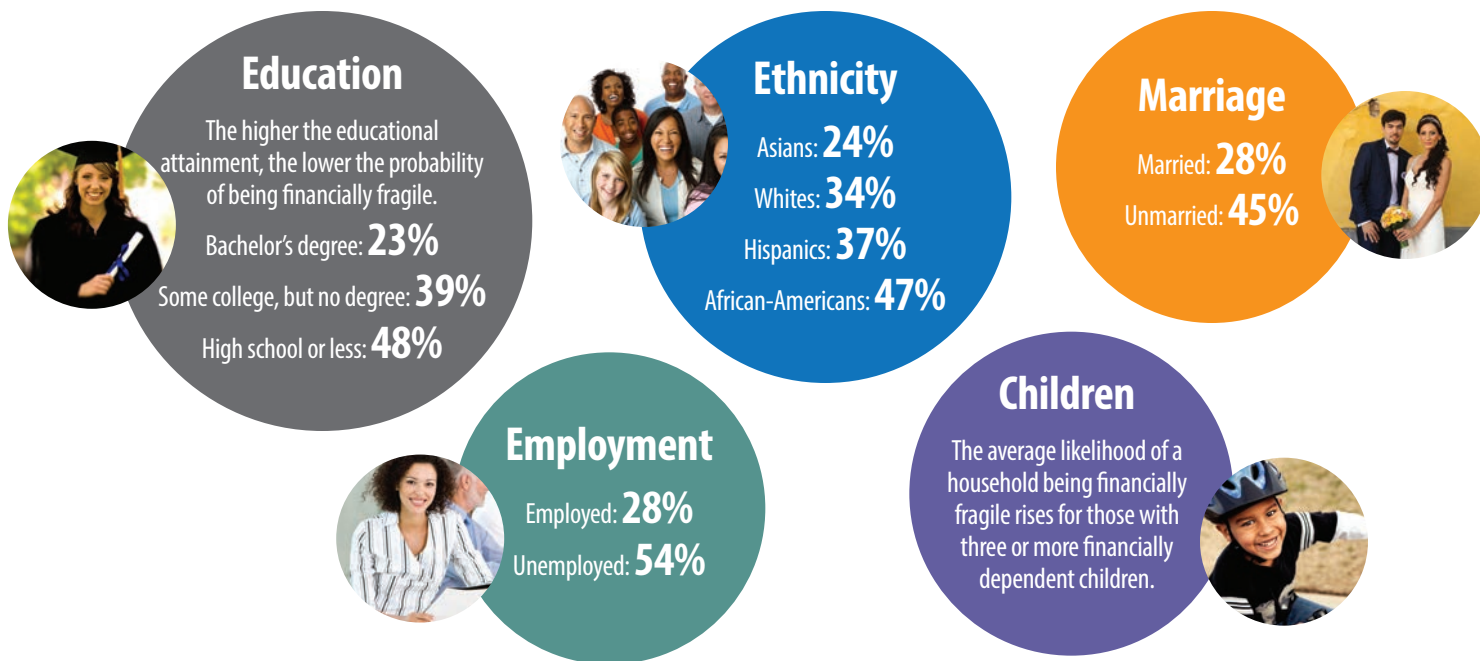
Financial fragility is nearly equally distributed across age groups, although fragility is slightly higher in the middle age group of 40- to 49-year-olds.

- Financial fragility is comparable across all age groups, despite the perception that older people have more assets and wealth.
- The 40 - 49 age group is more fragile than the 30 - 39 group, possibly due to a spike in financial obligations such as child care costs, student loan repayments and mortgage payments in this life stage.

Source for all three charts: NFCFS 2015

Other Factors

Percentages of financial fragility by other factors:



“I can make it through the month if nothing goes wrong.”

— Focus group participant

In addition to data analysis, researchers conducted focus groups in Baltimore, Cincinnati and Austin. Participants confirmed that “fragile” is a good description of their financial state. Sometimes an unexpected expense as small as a parking

ticket can trigger a chain of financial losses and setbacks.

Faced with an expense they can't afford, these families might use one of the coping mechanisms listed below.

Coping Mechanism	Potential Effect	Potential Secondary Effect
Work more. Particularly if they are self-employed or control their own hours, for example, as a ride-booking driver.	Working longer hours leads to needing more child care. If free care isn't available, this could mean paying for a babysitter, which cuts into earnings.	Working more leads to fatigue and declining health. For the ride-booking driver, it also means more wear and tear on their vehicles.
Use alternative financial services (payday lenders, pawnshops, check cashing services)	Borrowing at 200-300% interest triggers a cycle of loans to pay for other loans, putting the family into deeper and deeper debt.	More debt lowers their credit score, making it harder for them to get better credit terms from traditional lenders.
Borrow from family and friends	To help their adult children, aging parents borrow against their home equity at terms they can't afford, jeopardizing the family's only major asset.	As they approach their own retirement, the parents are forced to sell the house for a loss. They move in with their adult children, putting even more strain on the household.
Sell something or cash in assets	Taking a lump-sum payout of a 401(k) when leaving a job before age 59 1/2 leads to paying the 10 percent early withdrawal penalty and taxes, reducing the amount significantly.	The family has little left over after paying immediate bills and is quickly back in debt — only now they do not have money growing for the future either.

What Causes Fragility?

Lack of Assets

Financially fragile households tend to lack assets that nonfragile households take for granted.

House

Renting means no equity is being gained. And the family is at the mercy of the rental market.

Car

Reliable transportation is crucial to getting and keeping a job, as well as doing daily activities such as grocery shopping and doctor appointments.

Insurance

Inadequate health insurance means higher out-of-pocket costs. Lack of car and home insurance can mean huge bills for repairs and maintenance.

Bank Accounts

Lack of access to traditional financial products can lead to use of services that charge higher interest, fees and penalties.

Retirement Accounts

Without a 401(k) or IRA in which to grow it, cash that could have been invested loses buying power, thanks to inflation.

Those who are financially fragile are almost 18 percentage points less likely to plan for retirement.

Credit Cards

Low borrowing capacity means fewer options to pay for large unexpected expenses. There is no credit safety net.

Debt

Medical Debt

makes respondents more likely to be financially fragile.

Education Debt

Almost 50 percent of those with education debt have difficulty dealing with a \$400 emergency expense, versus 39 percent of those without education debt.

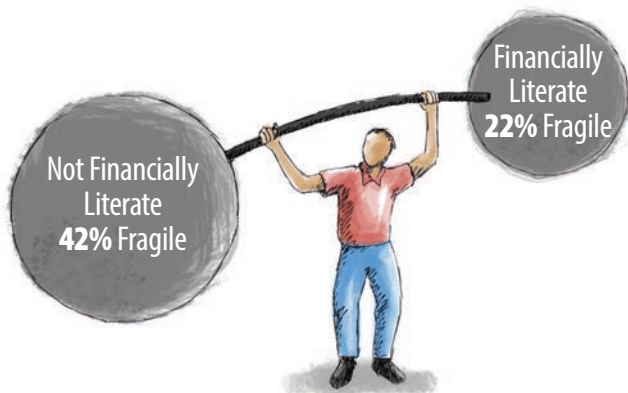
Credit Card Debt

Financially fragile respondents tend to have limited access to credit. They are more likely to be denied credit or to receive less than they ask for.

Financial Literacy is an Answer

The data are clear: Financial literacy lowers the likelihood of individuals being financially fragile significantly. This finding is consistent across all age categories and even when controlling for overall educational attainment. That means whether you are young or old, whether you have a high school diploma or a Ph.D., higher financial literacy means you are less likely to be fragile.

- Financial literacy seems to be highly beneficial for women, decreasing their chances of being financially fragile at higher rates than for men.
- Regardless of education levels, financially literate respondents are more likely to plan for retirement.
- Financial literacy has the greatest positive impact on those with the least education, decreasing the likelihood of fragility by nearly 7 percentage points for those in the lowest education category.



About the Study

Based on *Financial Fragility in the U.S.: Evidence and Implications* by Raveesha Gupta, M.A., Andrea Hasler, Ph.D., Annamaria Lusardi, Ph.D., and Noemi Oggero, M.Sc., at the Global Financial Literacy Excellence Center, The George Washington University School of Business.

Learn more at www.nefe.org/research.

Serving Domestic Violence Survivors

NEFE Partners with the National Coalition Against Domestic Violence to End Economic Abuse

After 17 years of marriage, Denise ran for her life one night with the clothes on her back. “I didn’t know who to talk to or where to get help when I left,” she says. “My husband had kept me so isolated in the backwoods of Tennessee that I used to say they had to pipe sunshine on me.”

Denise found her way to an emergency shelter program, where she learned about temporary assistance for needy families, such as food stamps and government housing.

The program helped her get her high school equivalency degree and encouraged her to go to vocational school.

Today, the mother of three teenage daughters is divorced, living in an apartment of her own, and has decided to become an advocate for victims of domestic violence herself. “It doesn’t matter where you come from or what the situation is, you will have good days and bad days,” Denise says. “Don’t give up. Educate yourself and be willing to learn from other people.”

“We are the grassroots voice for victims and survivors of domestic violence. We are working to change culture and society until there is zero tolerance for domestic violence — that’s our mission.”

– Sheba McCants

In 2000, NEFE collaborated with the National Coalition Against Domestic Violence (NCADV) to develop *Hope and Power for Your Personal Finances: A Rebuilding Guide Following Domestic Violence*, a workbook for victims and survivors.

In 2016, NEFE and NCADV launched a webinar series to educate domestic violence advocates — social workers or others in positions to help victims — to better understand economic abuse and provide trustworthy personal finance resources. These free webinars have been extremely popular, often with more than 500 participants attending the live events and hundreds more viewing them later.

“The response shows how much victims, survivors and advocates in the domestic violence community need access to financial education resources,” says Mary “Jeannette” Schultz, director of NEFE’s Financial Workshop Kits. “We’re proud to partner in NCADV’s mission to end all domestic violence, including economic abuse.”

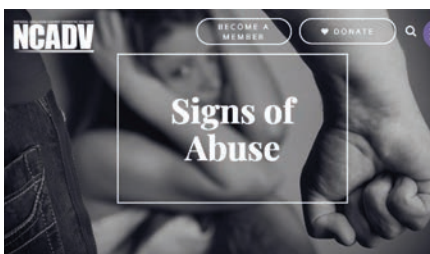
The webinar series has been updated for 2018 with new topics to help advocates empower victims around basic

personal finance, such as budgeting, credit and saving. The final webinar of 2018 will focus on retirement planning for domestic violence advocates themselves.

“Something that’s not really talked about is how advocates can benefit from financial education as well,” says Lynn Brewer-Muse, NCADV communications director. “A lot of advocates are living near the poverty line. For me, as a survivor, it means the world to be able to serve the victims and the advocates who support those victims.”

In addition to sharing information, the webinars also let NCADV hear directly from advocates about topics that would further support them.

“For example, during the first webinar in the financial education series, we had a number of questions about how to help victims and survivors who are undocumented navigate financial issues, such as housing, or asking whether someone who is undocumented can get a credit card,” says Sheba McCants, NCADV outreach director. “This helps us know where there are knowledge gaps that need to be filled.”



You might think you can spot an abuser, but one study found that 90 percent of domestic violence abusers have no criminal record and generally are law-abiding outside the home.

Visit www.NCADV.org/signs-of-abuse for warning signs.

What is Economic Abuse?

Economic — or financial — abuse involves control over financial resources, withholding access to money or attempting to prevent a victim from working, attending school or seeing family and friends. The abuser tries to separate the victim from his or her own resources and relationships to maintain the victim's financial dependency. Victims often are forced to choose

between staying with their abuser and living in poverty or even homelessness. "Preventing a victim from accessing their own finances or keeping their important information and documents away from them so they're unable to seek employment is all considered financial abuse," says McCants.

"Domestic violence is invisible in that it doesn't have to be a bruise or a broken piece of furniture to make someone think, 'What happened here?'"

— Lynn Brewer-Muse

Warning Signs of Economic Abuse



Limiting Access to Resources

- Deciding when or how the victim can access or use cash, bank accounts or credit cards
- Seizing income from the victim's paycheck
- Forcing the victim to give the abuser money, ATM cards or credit cards
- Creating an environment where the victim must hide money in order to buy things for themselves
- Demanding that the lease or mortgage be in the abuser's name
- Using the victim's checkbook, ATM card or credit cards without the victim's knowledge or consent

Employment Abuse

- Preventing the victim from going to work or school
- Demanding that the victim quit his or her job
- Sabotaging the victim's time to threaten his or her employment
- Preventing the victim from looking for jobs or attending interviews
- Calling, emailing or texting abusive language or threats while the victim is at work

Coerced Debt

- Applying for credit cards, obtaining loans or opening accounts in the victim's name without his or her knowledge or consent
- Forcing the victim to sign financial documents
- Forcing the victim to make credit-related transactions
- Refinancing a home mortgage or car loan without the victim's knowledge or consent

Nearly 3 in 10 women and 1 in 10 men in the United States have experienced rape, physical violence and/or stalking by an intimate partner (or former partner) and reported at least one of these impacts:

- Feeling fearful
- Concern for safety

- Post-traumatic stress disorder (PTSD)
- Need for health care
- Injury
- Crisis support
- Need for housing services
- Need for victim advocacy services
- Need for legal services
- Missed work or school

Like relationships themselves, abuse differs from person to person. Abuse can be physical as well as emotional, sexual and even financial in nature, but the elements of power and control over the victim are always present.





Challenges and Barriers

Victims of domestic violence may be unable to leave an abusive partner for economic reasons, but lack of financial resources is only part of it. Even if a victim has some money, there may be barriers to long-term sustainability, including:

- Poor credit due to the abuser forcing the victim to take on debt, making it harder to find a job or rent an apartment
- Fear of single parenting and reduced financial resources

- Unsupportive friends and family
- Lack of cash, bank accounts, health insurance or other assets
- Having nowhere to go (no money or credit for a hotel, limited access to safe shelter)
- Anxiety about a decline in living standards for one's self and children
- Fear of losing custody of children or joint assets

Between **94 - 99 percent** of domestic violence victims experience economic abuse.

20,000 calls are placed each day to domestic violence hotlines.

Only **34 percent** of people injured by intimate partners receive medical care for their injuries.

Between **21 - 60 percent** of domestic violence victims lose their jobs due to the abuse.

Why Stay?

Reasons for staying with an abusive partner are extremely complex. In most cases, there is fear the abuser will follow through with threats to hurt or kill the victim, their children, pets or others. The threat to ruin the victim financially is common.

“We know that the No. 1 barrier to leaving an abusive

partner is finances,” says Brewer-Muse.

Victims who choose to stay with an abusive partner for economic or other reasons are more likely to experience ongoing abuse. Conversely, victims who improve their economic condition increase their likelihood of living apart from their abusers.

“There are plenty of warnings that are crucial to notice, whether it’s someone we work with or supervise, or someone in our friend circle.”

— Sheba McCants

◀ **Download *Hope and Power for Your Personal Finances: A Rebuilding Guide* at www.NCADV.org/financial-education.**
 ▼ **Download the Rebuilding Financially After Domestic Violence workshop at www.FinancialWorkshopKits.org.**

2018 Webinar Series

Join NEFE and NCADV for free webinars to educate domestic violence advocates and victims about economic abuse and recovery. Visit www.NCADV.org/financial-education to register at least one day prior or view the archives on the NCADV YouTube channel.

- June 27:** Creating and Sustaining Financial Well-Being
- Aug. 8:** Income, Spending and Savings: Achieving Financial Stability
- Oct. 24:** Planning for the Holidays and Setting Financial Goals
- Dec. 5:** Retirement Planning for Survivors and Advocates

HOTLINE
 GET HELP WITHOUT SAYING A WORD. Online chat is available 24/7/365.
 Chat en español disponible todos los días de 12-6 p.m. Central
 Para información en español, visite www.thehotline.org

Get Help Now

If you or someone else needs help, call the National Domestic Violence Hotline at 1-800-799-SAFE (7233) or visit www.thehotline.org. Trained advocates are available 24/7.



Beck Receives SABEW Service Award

Kathleen Graham, executive director of the Society for Advancing Business Editing and Writing (SABEW), presents Ted Beck with the first-ever SABEW Service Award at their annual conference in Washington, D.C., on April 27. The award recognizes individuals for their service and commitment to SABEW and supporting business journalism.

JAFP Visits NEFE

Members of the nonprofit Japan Association for Financial Planners (JAFP) visit with Senior Director of Strategic Programs and Alliances Brent Neiser at NEFE headquarters in Denver, Colo., in April.



MONEY.
LIFE.
FUTURE.

Who says financial education has to be boring? NEFE's On Your Own is a blog for young adults that proves money management can be both entertaining and informative.

The blog's fresh new look for 2018 includes entirely new branding, content and website design aimed at providing young adults with an engaging educational experience.



www.OnYourOwn.org



Reflections on 4,600 Days

Ted Beck, president and CEO, retires from NEFE June 30

When Beck arrived in October, 2005, the youngest Millennials were 8 years old and high school students had never experienced a recession. The United States savings rate was 2.6 percent and personal finance was not yet common dinner conversation. The economy was on a roll — and so were American family finances.

“Personal finance changed suddenly from ‘nice-to-have’ to ‘need-to-have’ when the Great Recession hit,” Beck says. “Many of us came to NEFE at a unique time in our nation’s history. The recession triggered urgent concerns about the financial literacy of people in the country.”

NEFE was distinctively positioned to provide high-quality financial education programs and academic research at this critical time. NEFE’s role as a nonpartisan nonprofit foundation led to participation in national initiatives, including three appointments to President’s Councils for Financial Capability — under both President George W. Bush and President Barack Obama — and the FDIC’s Advisory Committee on Financial Inclusion.

Shortly after arriving at NEFE, Beck said, “The market is evolving rapidly. We need to make sure we stay current with it and are focused on how we reach out to people.”

Under his leadership, NEFE has built better programming for high school students, developed a major new resource for colleges, helped establish a national teacher training initiative, and built a highly regarded research program to uncover and better understand personal finance trends, behaviors, challenges and possible solutions.

Beck’s long-term vision has been to position NEFE as a thought leader. “Whenever there’s an influential discussion

taking place on what we as a country must do to help people achieve financial literacy, we want to make sure NEFE’s at that table as a significant contributor,” he says.

In addition to overseeing NEFE’s contributions in education, academia and public policy, Beck is a regular columnist for *The Wall Street Journal’s* Experts section and, under his leadership, NEFE’s media profile has expanded to more than 200 mentions monthly in regional and national media.

As he exits, Beck believes NEFE is strongly positioned to continue to provide leadership in financial capability. “Many of the underlying issues have

“Many of the underlying issues have not gone away since 2005. In fact, they have become global challenges.”

not gone away since 2005,” he says. “In fact, they have become global challenges.”

Beck’s professional life has had three stages: banker, university associate dean and NEFE president. As he transitions to the next phase, he says, “I’ll be interested to see what my fourth career will be.”

One thing is certain: Beck’s legacy will be felt for years to come, as NEFE continues to work toward its mission of financial well-being for all Americans.

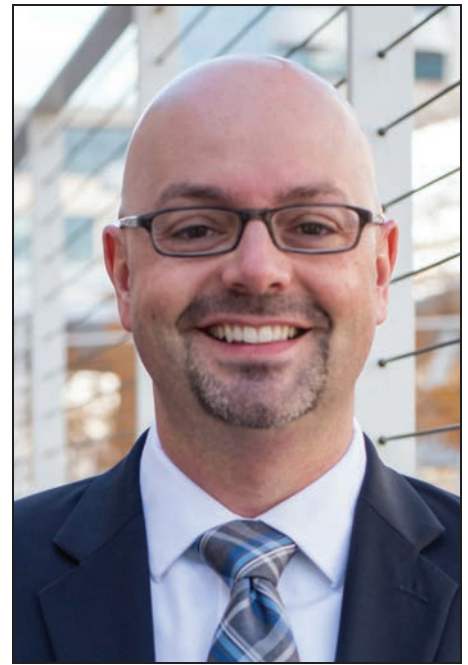
“NEFE ‘punches above its weight,’ producing noteworthy outputs with a very lean structure,” Beck says. “The strength of the staff allows us to make a difference. It has been a privilege to work with them.”

Beck on the WSJ Experts Blog

Since October 2015, Ted Beck has been among the roster of *The Wall Street Journal* Experts, a group of industry and academic thought leaders who contribute blog posts on issues related to consumer finance.

Beck had 17 blogs published, including a top-five blog last year (ranked #3), and the second highest visited blog on the Experts panel in 2016. The blogs can be found at blogs.wsj.com/experts.

Billy J. Hensley, Ph.D., Named NEFE CEO



NEFE is proud to welcome Billy Hensley as president and CEO, effective in July. Hensley currently serves as senior director of education, where he oversees grants and research activities as well as managing several of NEFE's consumer education programs, collegiate initiatives, e-learning and web strategy.

Prior to joining NEFE in 2010, Hensley received a doctorate in educational studies from the University of Cincinnati and a master's degree in education and a bachelor's degree in psychology from Union College. He has worked in educational philanthropy and higher education administration in Colorado, Ohio and his home state of Kentucky, with a focus on financial education, college access and teacher professional development.

What are NEFE's current strengths?

NEFE influences multiple aspects of financial education, through not only providing high-quality programs and materials, but also funding research and keeping the topic of financial literacy at the forefront of the public's awareness. NEFE would never be able to have such reach were it not for our wonderfully talented and hardworking staff. Every day the people who work at NEFE come to the office with a sincere desire to be the best they can be for the people they serve.

What are NEFE's challenges?

The issues associated with financial illiteracy are far-reaching and have many consequences. While NEFE does have an endowment, our resources are not unlimited — especially considering the scope of the problem. In my time at NEFE, we have had to deny funding requests for excellent ideas in order to support the projects that provide the greatest reach and impact. We want to do it all, but sometimes we have to make difficult decisions in the pursuit of our mission to inspire empowered financial decision making for all Americans.

What is NEFE's role in the immediate future of Americans' financial capability?

NEFE will always listen to our partners and consumers. It is our goal to be responsive and proactive on all aspects of our

work to best serve the needs of our field. We will continue to do what we do well: education, research and awareness.

In addition, we will articulate bold goals for our programs, for our vision and for the financial literacy of the country. We will not shy away from saying how our community can improve and we will be clear in the role NEFE will play in that strategy. NEFE will embrace the idea that the future is not a fixed point

— the social and economic realities in which people learn and make financial decisions will continuously evolve. We will respond nimbly to these demands with adaptive programming, pioneering research and strategic impact.

"I learned as a kid that everyone deserves respect, and money has nothing to do with that."

What would you like *Digest* readers to know about you?

I grew up in central Appalachia, in eastern Kentucky. My background taught me to meet people where they are, rather than trying to shape them into who I want them to be. Too often society ignores poor communities. I learned as a kid that everyone deserves respect, and money has nothing to do with that. Some of the poorest people I knew growing up were the best at managing a dollar. Coming from a region that is often ignored, I make it my focus to learn as much as I can from people from all economic backgrounds.

I love telling stories. I guess it is part of my Appalachian heritage. Few things are more fun than telling a great story that makes people laugh and think. At NEFE, we spend a lot of time listening to the needs and challenges of everyday Americans because they are the ones we are trying to serve. I'd like *Digest* readers to know that this will continue to be a strong focus in NEFE's future.

Coke or Pepsi?

I like them both equally – but I prefer coffee!

COMING SOON

New Evaluation Toolkit Coming in June

Create your own free assessments and evaluations for learners of all ages with new questions that align to Jump\$tart national personal finance standards. Visit toolkit.nefe.org to see the makeover.

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HOLIDAY CLOSINGS

NEFE will be closed July 4 for Independence Day.

Stop by Our Booth or Look for Us at the Following Conferences:



Symposium on Collegiate Financial Well-Being	May 31 – June 2	Columbus, Ohio
Consumer Financial Protection Bureau (CFPB) Consumer Advisory Council	June 6 – 7	Washington, D.C.
Center for Financial Services Innovation (CFSI) EMERGE Financial Health Forum	June 6 – 8	Los Angeles
National Association of State Treasurers (NAST) Management Conference	June 7 – 8	Orlando, Fla.
International Association of Workforce Professionals (IWAP) Workforce Development Conference	June 17 – 20	Cincinnati
Public Radio News Directors Inc. (PRNDI) Conference	June 20 – 23	Philadelphia
American School Counselors Association (ASCA) Annual Conference	July 14 – 17	Los Angeles
Higher Education Financial Wellness (HEFW) Summit	July 15 – 17	Portland, Ore.
Colorado Association for Career and Technical Education (CACTE) CareerTech Summit	July 18 – 19	Breckenridge, Colo.
National Youth Involvement Board (NYIB) Conference	July 23 – 24	Charlotte, N.C.

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The mission of the National Endowment for Financial Education is to inspire empowered financial decision making for individuals and families through every stage of life.

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