

Securing Long Term Financial Wellbeing

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Presentation Outline

- Global Financial Crisis and Its Aftermath
- Financial Education and Financial Sustainability
- Complexity of Factors Influencing Financial Behavior
- Correlates of Financial Success & failure
- Education, Regulations, Policies
- Where to Now?
- But What Can I Do?
- Best Practices and Value Clarification
- Useful Resources

Global Financial Crisis

- **Many players:**
 - Corporate/financial system, market professionals (new and innovative financial products and services, fees & costs),
 - Investors (uninformed, ignorant),
 - Regulations (disclosures &/or transparency),
 - Policy makers, rating agencies, SEC
- **Effects of financial stressors**-long and short term
 - financial systems, individuals, investors, students, families and communities, unemployment,
- **Challenges** and potential remedies

Financial Education, Literacy, Capability

We want people to be able to:

- Discuss financial choices and money issues *without discomfort*
- Plan for a financially *sustainable* future
Respond competently to life events that effect finances
- *Understand and address* events in the economy that effect personal financial situations

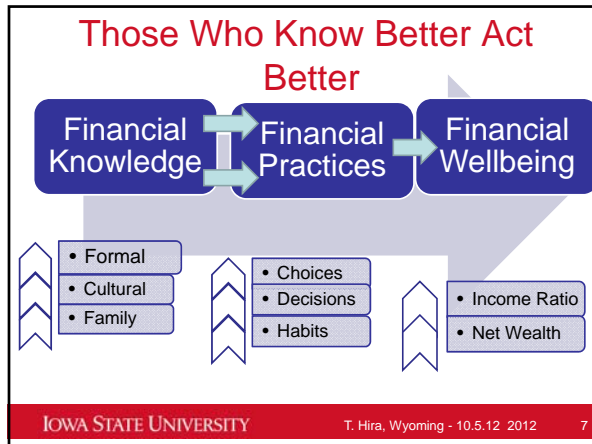
Financial Sustainability ...

Is achieved when personal and financial resources are managed in a manner that:

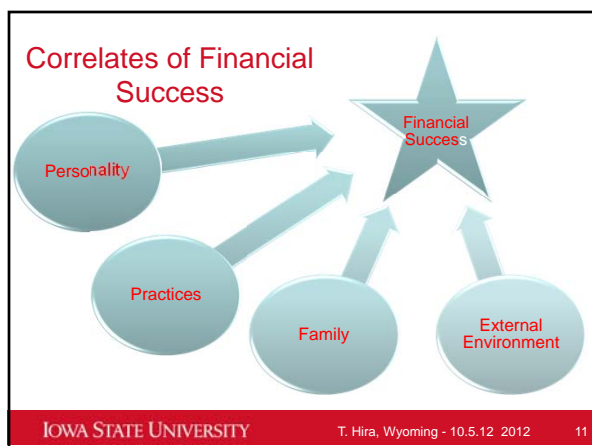
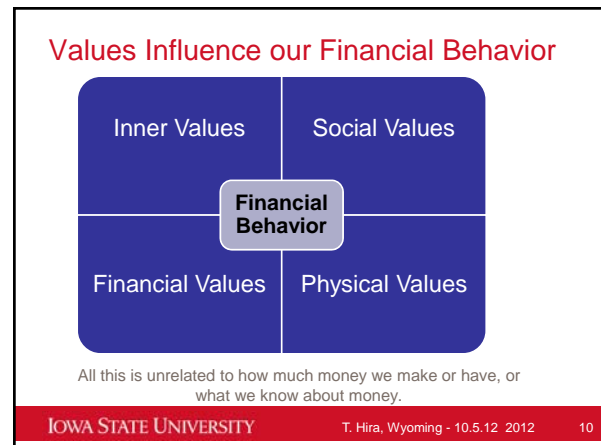
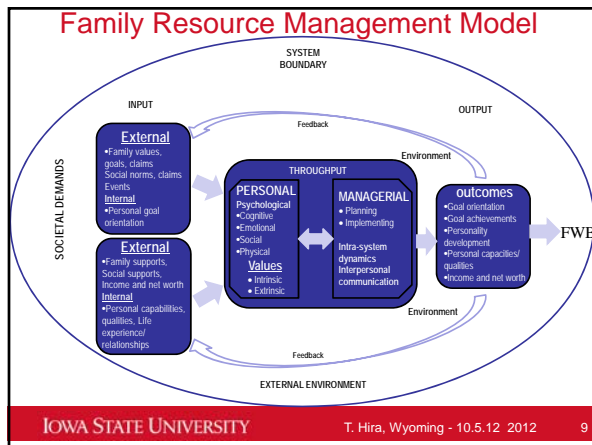
ensures sufficient funds to meet personal financial obligations and resources over the life cycle and through changes in financial conditions

Being Financially Literate is a Life Long Process

- Families are a important source of financial education, values, beliefs and attitudes underlying financial behaviors
- Experiences and opportunities to learn through observation and role models are influenced by religion, ethnicity and culture learned from the family
- Financial skills and behaviors vary widely between individuals and households
- Research shows that formal education plays a significant role in financial knowledge, which in turn affects financial behavior



- ### Complexity of Financial Behavior
- **External/macro factors**
 - markets (inflation, interest rates), social mood, moral hazard, business (products, services, practices)
 - government policies/regulations, peers, schools
 - **Internal/micro factors**
 - individual (personality, psychology, cognition, emotions)
 - family (parents, ethnicity, culture, social environment)
 - community (ethnicity, religion)
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- ### Those Experiencing Financial Failures
- Procrastinate
 - Have need for instant gratification (living only for today)
 - Lack a sense of responsibility
 - Feel out of control
 - Have low self-esteem
 - Lack healthy role models
 - Are involved in unhealthy relationships
 - Have experienced other failures (school, work, relationships, health)
 - Exhibit compulsive & excessive behaviors
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We Need Education, Regulations & Policies

- **Policies to protect long term financial security of American households**
- **Regulations to assure quality, protection against poor business practices, and those regulations to be applied diligently**
- **Financial education to prepare every American to secure his/her financial security, both now and in the future**

Financial Education Benefits Us All



House Hold Financial Wellbeing: money management, spending, borrowing, saving, investing



Financial Service Providers: better informed & low risk customers, increase in use of products & services, customer loyalty



Employers: increase awareness and appreciation of employer benefits, 401-k contributions, employee productivity and loyalty

Where to Now

Focusing on children – the importance of childhood experiences on later age behaviors

Involve family to bring about change in behavior – recognition of the critical role family plays in shaping and molding a person

Partnership and collaboration – within and across field

Specialization to integration – recognition of commonalities among various behaviors – eating, spending, exercising

Build connections between health & wealth (sorting out the role of education, environment, personality on behavior)

Yes But !! What can I do?

Follow Best Practices

- Track your expenses and **know** how much you spend on various items
- Develop a spending plan to **live within your means**
- Start building an **emergency fund**
- Start **saving regularly** to meet your needs, goals
- **Develop and keep current** your cash flow and net worth statements
- Pay your bills **on time**
- Pay credit card bills **in full**
- Understand the basic **principles of investing** and make safe investments
- Understand basic **principles of risk management** and take steps to protect themselves from various risks
- **Estimate** financial needs during retirement and develop a saving plan to meet those needs.
- Show positive trend in household cash flow and net worth
- **Feel satisfied, empowered** and **in control** of your finances

Get Involved in Money Matters



- At a personal level:
 - yourself, children & grandchildren
- At your work place:
 - know your benefits and manage them well
- At the community level:
 - with friends, schools, social service agencies
- Share with others:
 - your knowledge and expertise & your money
- Talk about money with people in your life and with those you do business

Resources

- The Clash of the Cultures: Investment vs. Speculation - John C. Bogle, 2012
- Nudge: Improving Decisions about Health, Wealth, and Happiness - Cass Sunstein and Richard Thaler, 2008
- An Exploratory Study for a Model of Personal Financial Management Style - Gross, Crandall and Knoll, 1981
- From financial literacy to financial capability among youth - Johnson & Sherraden, 2007
- Family Resource Management model - Deacon and Firebaugh's , 1988
- Kiplinger's Personal Finance
- McGregor Consulting Group
<http://www.consultmcgregor.com/>
- Pearl Projects
<http://www.pearlprojects.org/>
- www.aflatoun.org/
- <http://moneyasyougrow.org/>
- www.nefe.org/
- www.SmartAboutMoney.org
- www.MyMoney.gov

Questions – Discussion