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Educate or Regulate? Why We Should Teach About Money

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Educate or regulate? When applying this age-old question to personal financial security, the answer is clear: it takes both. Despite research that shows the effectiveness of various financial education efforts, there have been some dissenters who question whether financial education works, and instead argue that the key to financial security is more regulation. Some argue that trying to teach consumers to make wise money choices is a waste of time and resources.

Money is personal, and better money management involves changing personal behaviors and habits. Regulation without education is not sufficient to affect wholesale changes in behavior; it is knowledge, confidence, skills and a toolkit of resources that cultivate a more financially secure population. The evidence has shown that financial education has indeed worked, and when coupled with appropriate regulation and consumer protection policies, the marriage of the two can be quite potent.

In the U.S., financial education efforts have been underway for decades to provide Americans with the tools they need to make wise financial decisions and achieve financial security. Several research studies have definitively proven the effectiveness of financial education programs:

- Formal financial education programs have a positive effect on specific financial management behaviors. For example, participants in a financial education program were more likely than a comparison group to report using formal spending plans and less likely to report using informal spending plans, according to a 2009 study by Catherine Bell, Dan Gorin and Jeanne Hogarth (www.networksfinancialinstitute.org/Lists/Publication%20Library/Attachments/140/2009-WP-08_Bell_Gorin_Hogarth.pdf).

- Certain programs, particularly those with concrete goals, have succeeded in improving specific aspects of consumers' personal financial management, such as maintaining a mortgage, increasing savings, or participating in employer sponsored benefit plans, as found in Sandra Braunstein and Carolyn Welch's 2002 research (www.federalreserve.gov/pubs/bulletin/2002/1102lead.pdf). For example, a Freddie Mac study found that borrowers receiving prepurchase homeownership education had, on average, a 19 percent lower ninety-day delinquency rate than borrowers not receiving education.

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President's Message

By Joyce Cavanagh, 2010 AFCPE President

Greetings! Summer has arrvied and with it longer days (at least more hours of sunlight—if not more hours in the day). It also means that my term serving as your president is half over. Time does fly when you are having fun. And, it has been a fun year as President.

I have had several opportunities to represent AFCPE to date. In April, I was able to attend the JumpStart Annual Meeting and Awards Banquet. While there, I attended the Education Committee meeting. There are several exciting things happening at JumpStart, from the Clearinghouse to the annual Financial Literacy test for high school students. I encourage you to visit their website (www.jumpstart.com/)and explore the educational resources. AFCPE is a member of the JumpStart board and is a respected contributor. Executive Director, Gordon Genovese, represents us well on the Board of this important partner.

In June, I partricipated in the final selection of participants for the 2010 Military Spouse Fellowship program. I was impressed with the quality of applicants and wish we could have selected all of them. Selecting 200 finalists was not an easy task. The Military Spouse Fellowship Program has provided a tremendous opportunity for selected participants interested in obtaining their AFC over the past five years and we are grateful for the FINRA support that makes it happen. I would encourage you to volunteer as a reviewer next year to see for yourself the high caliber of applicants.

It's time again to start thinking about our Annual Conference in Denver this November. Make plans now to attend what is sure to be an exceptional conference. The Planning Committee and staff are busy reviewing proposals and finalizing general session speakers. Check for current details on our AFCPE website (www.afcpe.org). And don't forget to make hotel arrangements early!

Speaking of our AFCPE website, I hope all of you have had the chance to login to our new member's site to review and update your member information. You now have the ability to edit your contact information and review your membership history. If you haven't already, I encourage you to log in soon and make sure we have current information. We also now have the capability to help the public locate an AFC in their area. If you want potential clients to be able to contact you, you can now indicate your willingness to have your contact information made available through an AFC search function. This is a service the Board has long wanted to provide AFCs and I am happy it is now available!

I hope you will be able to take time this summer to relax and reflect on your year to date. Summer used to be a time when things slowed down, but there doesn't seem to be a slow time anymore! Make time to rest and spend time with family and friends. Enjoy your summer!

Until next time!

Youth and Credit Card Reform

By Paul Richard, Executive Director, Institute of Consumer Financial Education

Finally there are some positive regulations to respond to the on-going complaints of parents and professionals that youth are unfairly targeted by credit card companies. Our youth have been bombarded by credit card solicitations accompanied by savvy marketing campaigns that has led to unprecedented debt among college students and new graduates. According to a recent Sallie Mae study, credit card debt among graduating college students has increased 41 percent in just four years and 20 percent of those students in debt owe at least $7,000. Unfortunately, only 17 percent of the students pay their balance off each month, the rest carry balances each month and 22 percent of them only make the minimum payment.

Credit card companies have been encouraging youth to apply for cards without having the education to manage their money and their credit wisely or understanding the serious long-term consequences of debt.

The Credit CARD Accountability, Responsibility and Disclosure Act (or Credit CARD Act) was signed into law by President Obama on May 22, 2009. It became effective in part in February of 2010. The final components become law in August 2010 and affect credit users in all age groups.

General Changes that Affect All Cardholders, Including Youth

- Consumers must be notified 45 days before any significant changes are made to their account and have a right to cancel the account if they do not agree to the changes.
- Once interest rates are increased they may be reduced after six months if bills are paid on time and the credit limit is not exceeded.
- Disclosures are required to clearly explain how long it will take to pay off the credit card debt if only minimum payments are made each month.

Changes Specific to Youth

The Credit CARD Act includes the most sweeping changes in how credit cards are marketed, advertised and managed in decades. It specifically addresses credit cards and marketing to younger Americans.

- Credit cards are banned for people under the age of 21 unless they have adult co-signers or can show proof that they have the means to repay the debts.
- College students must get permission from parents or guardians to increase credit limits on joint accounts they hold with those adults.
- The popular marketing technique on college campuses of giving away free pizza and T-shirts if students sign up for credit cards is now banned by the new law.
- Colleges, universities and alumni associations will now be required to disclose the nature of contracts they sign with credit card marketers which will allow access to student and alumni contact information.

Education Is Needed

In the recently released findings of the "2010 Teens and Personal Finance Survey" sponsored by Junior Achievement and The Allstate

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Divorce During Recession: Is It Affordable?

By Michael Kothakota

Recession is a difficult time for everybody. Wages fall, unemployment rises and generally it becomes more difficult to consume. In married couples, one spouse may lose a job and it may be difficult to pick up the shortfall. This recession has had some effects on the ability of couples to actually afford to get a divorce.

In April 2009, the Institute for Divorce Financial Analysts (IDFA) conducted a survey of 270 of its Certified Divorce Financial Analysts (CDFA). The results were telling. Fully 68 percent of all CDFAs surveyed indicated that they had seen an increase in the number of clients who could not afford to get divorced. The reasons were varied, but often had to do with declining home value.

The marital home tends to be the largest asset a couple possesses. It can be a sticking point for divorcing couples as they attempt to divide their assets. Now, with so many homes underwater, some couples have actually walked away from the home. The survey also indicated that 73 percent of their clients had to be creative when the marital home did not sell. Of those, 40 percent had clients that decided to live in separate parts of the house.

Clearly, the housing crisis has affected the ability of couples to get divorced. Couples are seeking ways to do-it-yourself to avoid the costs of paying attorneys' fees. As a result, professionals are piling on the divorce consultant bandwagon. Financial planners and counselors are offering consultations to determine if the couple can afford to get divorced, attorneys are looking for alternative methods to serve clients and there is an increase in mediation as a low cost alternative to hiring attorneys. The downturn has even spawned situations in which attorneys are advertising for quick, simple divorces for a flat fee.

The Boston Law Collaborative conducted research in 2007 that evaluated the costs among the various methods of divorce. Mediation, by far, was the least expensive, with the median case costing $6,600. Collaborative divorce was nearly three times that amount, at $19,723, negotiated settlements around $26,000 and full scale litigation close to $77,000.

The old adage, "Why is divorce so expensive? Because it's worth it" may not be holding up anymore.

If these numbers seem outrageous, it makes the point that divorce is expensive. The old adage, "Why is divorce so expensive? Because it's worth it" may not be holding up anymore. It is costing more and more to extricate yourself from a bad marriage. There are online divorce kits, but the key to retaining an attorney is that they represent your interest, and often at a time when emotions are running high and rational decisions are harder to make.

A positive result of couples who are finding it difficult to get divorced is that they are forced to talk about finances, which ironically is seen as the number one cause of divorce. A financial counselor can sit with a troubled couple and walk them through

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Preparing for Tax Season Year Round

By Celia Ray Hayhoe, Ph.D., CFP®, Associate Professor and Virginia Cooperative Extension Specialist, Virginia Polytechnic Institute and State University

If you take time to prepare for tax season, then the actual preparation of your taxe return will be much easier. The first step is to get organized. You need three folders even if you keep records on your computer using a spreadsheet or a program like My Money or Quicken. The first folder is for bills you keep for the month, the next is for bills you keep for each tax year, and the last is for bills you have to keep until an asset is sold.

Folder one can be a regular folder or an envelope. You do not have to keep every bill for tax purposes, just the ones that support possible itemized deductions or tax credits. Many bills have nothing to do with taxes or the purchase of an asset. For example, if you don't use part of your home as an office and deduct part of your utilities as a home office itemized expense, you do not have to keep bills such as electricity, water, and gas. These bills can be shredded once the next month's bill has been received and you check that any credits and payments were correctly recorded. Be sure to shred to them to help prevent identity theft.

Folder two should be an expandable folder with sections for each category of deductible expense. Even if you keep records on your computer, you need the actual bills and payment records in case you are audited. You should have this folder even if you usually do not itemize, as you never know when something will happen that allows you to itemize your expenses. If you itemize or have bills for deductible investment expenses, these bills need to be kept with a copy of the tax return that they were claimed on for as long as the return can be audited, usually three years after the return was filed. If you don't itemize and the bill is not for a deductible investment expense, these bills can be shredded after you prepare your tax return.

Folder three should also be an expandable folder with a section for every asset you own where a capital gain or loss must be claimed when the item is sold. This folder should contain purchase information and warranty information, closing statements, etc. Bills for remodeling of real property should also go in this folder. Items that are expenses like repairs of rental property go in folder two as they can be deducted each year.

In addition to organizing receipts, you should consider taking capital losses toward the end of the year at least to the extent you have capital gains, plus $3,000. (More than $3,000 will need to be carried over to successive years). You can use up to $3,000 above your gains to offset current income. However, investment decisions should not be made solely for tax reasons. Taxes are only one consideration on whether or not to buy/sell an investment.

After filing taxes, if you received a large refund or owed money, you may want to review your W-4 withholding form to have more or less money taken out of your paycheck. If you need to make estimated payments, you should put reminders in your calendar and your bill file so that you remember to make them on time (estimated taxes are due April 15, July 15, September 15 and the following January 15).

If you received a large refund that was not due to an unusual, one-time circumstance, you may want to increase your exemptions on your W-4 form at work, so that your employer takes out less money for taxes. The exemptions on your W-4 control how much is taken from your paycheck. They do not have to match what you claim on your tax return but the W-4 can be used to regulate how much or how little is taken out of your paycheck for taxes. Then, if you've increased exemptions on the W-4, set up a plan to save the additional amount you receive each month. There is no sense in giving the government an interest free loan when you could be earning interest on that income. Remember, however, that there is a penalty if you do not have enough money taken out in withholding and don't make estimated tax payments.

If you have earned income, you should check to see that you are putting the maximum allowable into your retirement plan at work or at least the maximum you can afford. If you are contributing the maximum or if you cannot contribute to a work retirement plan, you should consider making a contribution to an Individual Retirement Account (IRA). The earnings will be tax deferred (regular IRA) or tax free (Roth IRA) and the contribution may or may not be deductible on your taxes. You have until April 15 of the following year (April 2011 for the 2010 tax year) to make your IRA contributions.

Be prepared with a folder or envelope by the beginning of January to keep the tax statements and W-2 forms that will start arriving in January in one place so when you begin your taxes or take things to a tax preparer they are all in one place. You only need to grab that envelope and folders two and three to get started with filing.

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Fixing Social Security

Excerpted from *The Social Security Fix-It Book,* Written By Steven Sass, Alicia H. Munnell, and Andrew Eschtruth

Social Security has a long-term financing problem. Benefits are mainly financed by a 12.4 percent tax on earnings, split evenly between workers and employers. Far more of us, however, will soon be collecting benefits with not many more paying taxes.

Not all of the 12.4 percent payroll tax is currently used to pay benefits. A portion is set aside in the Social Security Trust Fund, invested in government bonds, to help pay benefits down the road. Starting in 2016, Social Security will consistently need interest income from the bonds to pay benefits. Social Security could continue to pay benefits without raising the payroll tax if the bonds produced enough income. In 2024, however, benefit costs will exceed Social Security's tax revenues and Trust Fund income. So the program will need to sell bonds to pay benefits. In 2037, the Trust Fund will be depleted. Social Security will then be able to pay only 78 cents on the dollar. And the shortfall slowly widens thereafter.

The only two ways to fix the problem are to cut benefits or increase revenues. But cutting benefits is no walk in the park. And raising revenues is also tough.

Social Security benefits, which are hardly generous, are about the only source of income for a third of all elderly households. Another third gets more than half its income from the program. The Social Security payroll tax is the largest tax most of us pay. It's especially burdensome on low-wage workers, who spend much of their earnings on necessities. So it should come as no surprise that nothing has been done. But the longer we wait, the larger benefit cut or tax increase is needed to fix the problem.

The fix should be long-lasting. Social Security uses a 75-year planning horizon, which sounds long-term. But a fix that only solves the problem for the next 75 years will typically build up assets in the near term and sell those assets to pay benefits at the end of the time frame. In the 76th year there are no more assets to sell. So the program falls off a cliff.

Solving the 75-year problem remains a reasonable place to start. But it's not a reasonable place to end. What follows are different ways to cut benefits or raise revenues; the contribution each makes toward solving the 75-year shortfall varies. We then discuss what must be done to make a fix long-lasting.

How Benefits Could Be Cut

Benefit Cut 1—An immediate across-the-board cut. We could fix Social Security's financing problem over the program's 75-year planning horizon if we cut scheduled benefits by 13 percent for current and future beneficiaries. More of the payroll tax would be sent to the Trust Fund. The payroll tax could also finance a greater share of the program's reduced obligations down the road. So the Trust Fund should last 75 years.

Benefit Cut 2—Raise the Full Retirement Age. The Full Retirement Age (FRA) is the age we can claim full benefits. If we claim earlier, annual benefits are less. The FRA is currently rising from 65 to 67. This means workers claiming at 65, or any age, will get less of their earnings replaced than in the past. One proposal would raise the FRA to 67 more quickly and continue to raise the FRA, as lifespans increase, so that the portion of adult life over which we could collect full benefits stays the same.

Benefit Cut 3—Freeze the purchasing power of benefits. Social Security benefits are designed to replace a portion of our earnings. As earnings and living standards have grown over time, so has the income Social Security provides. We could end Social Security's earnings replacement function and freeze the purchasing power of benefits paid to future beneficiaries at current levels. Benefits would be able to buy the same goods and services as they do today. But as wages and living standards rise, they would support an ever-shrinking portion of our standard of living.

Benefit Cut 4—Freeze the purchasing power of benefits on a sliding scale. Freezing the purchasing power of benefits could soon reduce Social Security's guaranteed income for low earners below what's seen as minimally adequate. An alternative is to shelter the benefits of low earners. One such proposal would continue to replace earnings as we do today for the bottom 30 percent of earners, freeze the purchasing power of the maximum benefit the program pays, and adjust all benefits in-between on a sliding scale.

Benefit Cut 5—Change the Cost-Of-Living Adjustment. Social Security provides annual Cost-Of-Living Adjustments to maintain the purchasing power of benefits. Economists generally agree, however, that the Consumer Price Index (CPI), which Social Security uses to measure inflation, rises faster than the prices most people actually pay. As we shift our spending from more expensive to less expensive items, the CPI doesn't fully reflect the changing mix of items we buy. We could adopt a more accurate measure of inflation to adjust benefits to changes in the cost of living.

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Benefit Cut 6—Do nothing (but cut benefits in 2037). We could do nothing—we're very good at that—and simply cut benefits in 2037 when the Trust Fund is depleted. If we cut across-the-board, including the benefits of those already disabled and retired, the program could then pay 78 cents on the dollar. The average worker who claims at 65 would get 28 percent of earnings—about $11,700 in terms of current wages—before reductions for Medicare premiums and income taxes. And if we shelter existing beneficiaries, new beneficiaries would get much less.

How Revenues Could Be Raised

Revenue Increase 1—Increase the payroll tax rate today. We could fix Social Security's financing problem over the 75-year planning horizon if we raised the payroll tax by two percent of earnings, split between us and our employers. Social Security would build up a larger Trust Fund. The higher payroll tax could also finance a greater share of the program's obligations down the road. So the Trust Fund should last 75 years.

Revenue Increase 2—Raise the earnings cap. Social Security taxes replace earnings up to a certain level—$106,800 in 2009—with the earnings cap indexed to wage growth. When the current cap was put in place, Social Security covered 90 percent of all U.S. earnings. But rising inequality pushed an increasing share of earnings above the ceiling, so Social Security now covers only 83 percent. One proposal would gradually reset the cap, over a 10-year period, to cover 90 percent of earnings.

Revenue Increase 3—Use the estate tax. We could use other taxes to finance Social Security. The additional revenues should come from a tax dedicated to the program, as Social Security needs a secure financial base to be a reliable source of retirement income. The most prominent proposal is to use the estate tax, which was repealed for 2010, but will return in 2011. Under current legislation, the exemption amount for estates and gifts will be $1 million. So, it is often thought less burdensome than other levies.

Revenue Increase 4—Transfer start-up costs to general revenues. Social Security was designed as a self-funding program, with the payroll tax as its dedicated source of revenue. This gives workers the sense that they pay for their own benefits—that Social Security is not a welfare program. But in the early years of Social Security, retirees got benefits worth far more than what they paid in. The cost of these startup benefits is now built into the program's ongoing cost. We could transfer these start-up costs to general government revenues. Then the payroll taxes paid by each generation would closely reflect the benefits it gets.

Revenue Increase 5—Raise the return on assets. The Social Security Trust Fund currently holds about $2.5 trillion in government bonds. If a portion of these assets were invested in stocks, Social Security could expect to earn about a 3.5 percent higher annual return, over the long term, on those assets. To capture these higher returns, one proposal would shift 40 percent of Social Security's assets from bonds to stocks by 2020.

Revenue Increase 6—Do nothing (but raise taxes in 2037). We could do nothing and simply raise the payroll tax when the Trust Fund is depleted. With the Trust Fund gone, Social Security becomes a purely pay-as-you-go program. The payroll tax would need to be 16.3 percent of earnings, split evenly between workers and employers, to pay promised benefits in 2037. By the end of the 75-year time frame, it would need to be 16.8 percent of earnings.

What About Individual Accounts?

There are two types of individual accounts. Add-ons require contributions on top of the payroll tax, and do not directly affect Social Security revenues or benefits. Carve-outs let workers send part of their payroll tax to an individual account, which reduces Social Security revenues. But these workers must give up future benefits of equal value, so the shortfall again remains unchanged. But if the accounts raise retirement incomes, could we cut benefits? Add-ons increase saving and will raise retirement incomes, though by an unknown amount. Carve-outs might raise retirement incomes, but only by accepting more risk. In both cases, the effect on the shortfall is indirect and unclear.

Time to Fix the Problem

A lasting fix would keep Social Security revenues and outlays in balance well beyond the traditional 75-year horizon.

Fixes that balance the books for the next 75 years are not long-lasting if they build

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One thing we know for certain. Something will be done in 2037—when Social Security redeems its last bond—unless we do something sooner. And the sooner we act, the easier the fix.

Educate or Regulate?

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- Repeated independent evaluations (1998 and 2004) of the NEFE High School Financial Planning Program by Sharon Danes from the University of Minnesota showed that the program resulted in statistically significant improvements in financial knowledge, behavior, and confidence by the student participants (http://hsfpp.nefe.org/channels.cfm?chid=98&tid=1&deptid=14). Specifically, three months after completing the program, 60 percent indicated they had made positive changes to their savings patterns while 59 percent had changed their spending behavior.

Workplace financial education has also been receiving more attention because of data that indicate that employees who attended employer-provided financial education workshops experienced positive benefits such as improved job performance, decreased absenteeism and fewer medical problems. Employers benefit from more financially savvy employees. Company profits increase by $450 annually for each employee who slightly improves his or her financial behaviors, according to a national, award-winning doctoral dissertation for Virginia Tech by So-hyun Joo. The increase in profits results from reduced absenteeism and a decrease in work time used dealing with personal financial matters. The less stress experienced by employees, the more productive they can be.

According to an American Psychological Association (APA) poll conducted in 2009, many Americans are stressed and anxious about their financial futures. Almost three-quarters (71 percent) are stressed by money and 47 percent report that housing costs are causing them significant stress (www.apa.org). The benefits of workplace financial education can extend beyond just having more money in the bank, creating multiple positive outcomes.

Setting research aside, consider the alternative of not providing financial education. How many more money mistakes and unwise decisions would we see? How much worse would consumers' credit management problems or low levels of savings be? To contend that these outcomes can be prevented solely through more regulation is myopic.

We would argue that a holistic approach is necessary within the consumer-protection and regulatory framework, in which regulation and education work hand-in-hand. Strengthening regulation and consumer protection works to safeguard the financial system and protect consumers from fraud and predatory practices. Well-educated, better equipped consumers also help keep fraudsters at bay.

What is the best combination of education, policies, and regulations to help Americans become financially secure?

To question the efficacy of financial education only distracts us from the real tasks at hand, including taking a hard look at what has worked, and what hasn't. We argue that financial education needs to be sustained and not just the flavor of the month. Financial institutions, government organizations and other entities should make a long-term investment when considering creating financial education programs.

Setting standards to measure the effectiveness of financial education will undoubtedly result in improved outcomes. Measurement and comparing program results help build stronger, more effective programs. Strengthening the profession is another important step. Qualification standards should be set so that financial educators are equipped with enhanced knowledge and skills. Financial products and services evolve, and financial education programs and educators need to keep pace and be up-to-date.

We, as a nation, cannot afford the time and the cost to our economy to start from scratch when there are ample examples of progress within the financial education arena. Rather, we should focus on models and approaches that work and can be replicated. The link between financial education and financial prosperity is one that has been proven and the area ripe for debate is: What is the best combination of education, policies, and regulations to help Americans become financially secure?

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Dr. Tahira Hira, executive assistant to the president at Iowa State University and a professor of Personal Finance and Consumer Economics, is internationally known as a leader in the field of Personal Finance and Consumer Economics. She is a member of the U.S. President's Advisory Council on Financial Literacy, founding president of the Association for Financial Counseling and Planning Education (AFCPE) and president of the American Association of Family and Consumer Sciences (AAFCS).

Dara Duguay is the former director of Citi's Office of Financial Education where she oversaw Citi's global, company-wide financial education efforts, including a $200 million 10-year commitment to support initiatives in over 50 countries. She is the author of three critically acclaimed personal finance books, including the most recent, Please Send Money: A Financial Survival Guide for Young Adults on Their Own.

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up Trust Fund assets in the near term, sell those assets to pay benefits in the out years, and leave the program suddenly short of money when there is nothing left to sell. A lasting fix could use investment income from the Trust Fund to help pay benefits beyond the 75th year. This approach probably requires the use of equities to boost investment returns. It also requires larger benefit cuts and tax increases than needed in a 75-year fix—to build up a larger Trust Fund and narrow the gap between taxes and benefits. One such fix would raise the payroll tax by two percent of earnings, index the Full Retirement Age to longevity, and invest 40 percent of Trust Fund assets in equities. The alternative is to finance benefits beyond the 75th year on a pay-as-you-go basis. We would not need to cut benefits or raise taxes as much in the near term. But at the end of the 75-year horizon, taxes must be 16.8 percent of earnings, benefits 75 cents on the dollar, or some combination of the two.

How the Proposals Stack Up

When evaluating the various proposals, note:

1. Benefit cuts lower incomes in retirement. Initiatives that raise revenues primarily lower incomes during our working years.
2. Initiatives that cut benefits generally hit low earners, the disabled, and the oldest old, who are heavily dependent on Social Security. Initiatives that raise revenues primarily hit those with higher incomes.
3. Combining proposals does not reduce the shortfall by the sum of the individual reductions. The effect of changing the Cost-of-Living-Adjustment, for example, falls if we raise the Full Retirement Age.

The answers to three key questions will largely determine how we should fix Social Security:

1. Do we want to keep benefits more or less as currently set? If so, how should the burden be shared?
   a. By all workers equally, or primarily by those better-off?
   b. By workers alone, or by taxpayers generally?
2. Do we want to keep taxes more or less at current levels? If so, how do we cut benefits?
   a. Target workers with higher benefits?
   b. If we cut across-the-board, how do we assure people that they won't fall into poverty in their old age?
3. Should each generation going forward pay much the same tax and get much the same benefits?
   a. This requires the current generation to build up a large Social Security Trust Fund that would probably invest in equities.
   b. Or should our children and grandchildren, who will be richer and live longer, pay much more or get a much smaller benefit?

One thing we know for certain. Something will be done in 2037—when Social Security redeems its last bond—unless we do something sooner. And the sooner we act, the easier the fix.

More on the Topic

For the full version of the *Social Security Fix-It Book* and discussion of the pros and cons, go to http://crr.bc.edu/special_projects/the_social_security_fix-it_book.html. What are your thoughts? Enter them at the AFCPE blog at www.afcpe.org.

Affordability of Divorce

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their situation. Once they realize it is difficult to pay for the dissolution of marriage, they may start looking for other options on how to get it done more cost effectively. That may include cooperating in discussions about finances, instead of arguing or hiding information. Some mental health professionals have reported that this can create reconciliation in the marriage.

However, the underlying reason of course is not always financial, nor will talking about finances guarantee a reconciliation. So many factors come into play to determine whether or not divorce is feasible.

Couples may be forced to take premature distributions from their retirement accounts, sell off prized possessions, or get a second job, adding to the stress already placed upon them by the divorce process. More and more, couples are dividing debt, and accumulating additional debt by placing their divorce on credit cards.This runs counter to sound financial management. Financial counseling will begin to play a larger role even as the economy recovers. Divorce has become cost prohibitive for many couples, and since finances are the number one cause of divorce, it is important for those seeking a divorce to be educated on the financial implications of their marriage's dissolution.

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Tools of the Trade

Survey on CE Opportunities—In July of 2010, federally guaranteed student loan originations changed. Prior to that time, the Federal Family Education Loan Program (FFELP) was a channel through which students could obtain loans. Guarantors such as TG worked with schools and lenders toward that end. On July 1, 2010, the Federal Direct Loan Program (FDLP) became the sole mode of originating federal student loans. This change opens up the possibility of new endeavors for TG. TG is exploring the option of offering online courses for continuing education credits associated with AFCPE certification, and they would like to gather some information regarding that. A questionnaire was developed to learn the level of interest. The link to the survey is http://TG-AFCPE-Survey.questionpro.com.

**MoneyWi$e—**The University of Kentucky Cooperative Extension Service is helping people access up-to-date information regarding financial decisions through its MONEYWI$E website. Almost every decision a person makes during the day will influence that household's bottom line. This website provides information, decision aids, and financial calculators directed at all aspects of everyday living, from household budgeting tools to farm management. Updated on a monthly basis to provide consumers with timely and accurate information. Available at http://ces.ca.uky.edu/moneywise/index.html.

GAO Report on Financial Literacy and Limited English Proficiency—The Government Accountability Office (GAO) released a report entitled "Consumer Finance: Factors Affecting the Financial Literacy of Individuals with Limited English Proficiency." The report is available at http://www.gao.gov/new.items/d10518.pdf.

Youth and Credit Card Reform

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Foundation, 54 percent of teens said they did not feel they had the knowledge to manage credit responsibly. Yet, 74 percent still said they thought credit cards should be available to youth at 21 years of age. Other key points were:

- Teens are struggling to reconcile spending and saving
- Teens lack the understanding of the importance of budgeting
- Financial naïveté contributes to a false sense of security

The executive summary concludes that despite some of the painful economic lessons recently learned by governments, families and businesses there is still a need to educate youth about how to effectively manage money.

Paul Richard is the executive director of the Institute of Consumer Financial Education, (ICFE) a nonprofit, educational foundation, established in 1982. Read more at: www.icfe.info. Contact: icfe@cox.net or 619-239-1401.

Credit When Credit Is Due

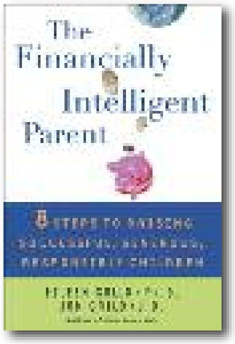
Credit When Credit Is Due (CWCID) is a course used by about half a million individuals is. Recognized by AFCPE (for 12 CEUs). It is available through most Consumer Credit Counseling Agencies (CCCS) agencies, the American Center for Credit Education (ACCE) and ICFE. CWCID was written by Paul Strassels and is available from ACCE in South Dakota. This twelve-lesson program initially targets individuals who had their accounts go into collection, bounced checks, or otherwise ruined their credit. Many credit counseling organizations require all clients who want to enroll in a debt management plan (DMP) to also enroll in CWCID.

Under the new Credit CARD Act, parents are required to co-sign for credit cards for people under age 21 who seek credit. Parents and their children will find CWCID a huge advantage. Students who complete the course receive graduate information about their CWCID completion which may also be sent to credit reporting agencies and presented to potential lenders.

Nationwide, over 75,370 registered graduates have completed the CWCID program. 418,540 copies of the CWCID text books are in circulation. The graduates are entitled to a number of benefits as their reward for investing in such comprehensive credit education. In addition, a recent study released by Dr. John Usera, of the Institute for Educational Leadership & Evaluation (IELE), reports a strong correlation between completion of Credit When Credit is Due and increased credit scores. Students may take the course at their own speed.

Interested in CWCID?

It is available through most CCCS agencies (www.nfcc.org), the ACCE (www.acce-online.com/) and the ICFE, available at . CWCID is recognized by the AFCPE for 12 continuing education units.



The Financially Intelligent Parent: 8 Steps to Raising Successful, Generous, Responsible Children

Written by Eileen Gallo and Jon Gallo

Reviewed by Pauline Madison, AFC and Military Spouse Fellow

As a parent, have you ever felt that talking with children about money issues is analogous to talking about the birds and the bees and that those topics of discussion are thought of as taboo? In today's financial crises, it's even more critical that parents solicit advice and find ways to discuss money issues with their children. A solution exists for parents wanting to instill values that produce financially constructive and responsible children. The book, *The Financially Intelligent Parent*, is valuable in that it identifies eight key behaviors of a financially intelligent parent:

1. Encourage a work ethic
2. Get your own money stories straight
3. Facilitate financial reflection
4. Become a charitable family
5. Teach financial literacy
6. Be aware of the values they model
7. Moderate extreme money tendencies
8. Talk about the tough topics

I especially like that the book offers interactive exercises, checklists, brain teasers, and a theme that infers anyone can become a financially intelligent parent. Additionally, a number of stories are told that depict situations experienced by families when dealing with their children and finances. I believe it's safe to say that every parent dealing with their children and finances can use every bit of support in this ever challenging financial environment and this book will help you achieve success. The Gallos demonstrate through each chapter how to introduce values in children and how to deal with money constructively and responsibly.

Chapter 1—The money beliefs of financially intelligent parents. Parents understand that money itself is neither good nor bad; it's what they do with it and what they teach their children about it that are important.

Teaching our children how to save and spend is not only important for their present financial state, but to help them begin to build a solid financial future as well.

Chapter 2—Financially clueless parents: recognize the signs. If parents are financially clueless, children will pay the price, such as being selfish when they are younger. As teenagers, they may not develop a work ethic or ambition, max out credit cards, waste money, and be overly materialistic or poor consumers. As adults they may be terrified of taking risks or the reverse.

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Call for Papers

Journal of Financial Counseling and Planning—Open submissions. www.afcpe.org

Family and Consumer Sciences Research Journal—Open submissions. www.aafcs.org/resources/fcsrj_submission.html

Journal of Consumer Affairs—Open submissions. www.wiley.com/bw/journal.asp?ref=0022-0078

Journal of Family and Economic Issues—Open submissions. www.springerlink.com/content/104904

W.K. Kellogg Foundation/Family Income and Assets—Open submissions. www.wkkf.org/default.aspx?tabid=1163&ItemID=183&NID=312&LanguageI

Journal of Financial Planning—Open submissions. www.FPAjournal.org

National Competition for financial services research papers—Deadline is August 31, 2010. www.csrees.usda.gov/nea/economics/pdfs/natl_fin_services_paper_competition.html

Funding

National Endowment for Financial Education—The deadline for NEFE's April 2011 grant cycle is December 7. To learn more about the NEFE grants program, visit the NEFE website and click on the Grantmaking section. http://nefe.org/

U.S. Department of Health and Human Services—Grantees provide financial literacy training to help low-income individuals and families achieve economic self-sufficiency. www.acf.hhs.gov/programs/ocs/afi/.

Grants.gov—Find and apply for federal government grants. There are more than 1,000 grant programs offered by all federal grant-making agencies. www.grants.gov/

Calendar of Events

July 11, 2010
Institute on Money Habitudes, Orlando, FL, approved for 8 AFCPE CEUs. http://www.smartmarriages.com/money.habitudes.html

September 30–October 1, 2010
10th Consumer Issues Conference: Unlocking the Digital Marketplace: Legal and Ethical Issues, University of Wyoming, http://uwadmnweb.uwyo.edu/consumerconference/

October 25–26, 2010
Society for Financial Education and Professional Development, Inc., Arlington, VA, http://www.sfepd.org/

November 17–19, 2010
AFCPE Annual Conference, Denver, CO, www.afcpe.org/conference/

The Financially Intelligent Parent

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Chapter 3—Why now: The factors that increase the odds of making mistakes. The big three: (1) the developing role of psychology in selling to kids, (2) 9/11 and the economic downturn, and (3) the dramatic increase in housing and educational costs.

Chapter 4—Encourage a work ethic. Parents need to model behaviors and have conversations with their children that stress a work ethic and know the positive and negative consequences.

Chapter 5—Get your money stories straight. Both parents need to talk and reveal their financial beliefs to each other and in turn are better able to send their children coherent and consistent money messages.

Chapter 6—Facilitate financial reflection: Helping your children learn to make good money choices. Here reflection is key after a decision is made and learning from the consequences is important in a child's financial development.

Chapter 7—The importance of being a charitable family: Give back to the community. Parents teach our children to be giving human beings in the best sense of the word and participate as a family by volunteering in community activities.

Chapter 8—Teach Financial Literacy. Teaching financial theories and applications to your children gives meaningful opportunities for learning about responsibility and decision making.

Chapter 9—Spend time and money in ways that are consistent with your values. Here, parents are conscious about how they spend money and time so they can communicate the right values to their children.

Chapter 10—Be aware of and moderate your extreme money tendencies. Money tendencies and disorders can lead to financial trouble and disrupt the family, causing the family misery. Instead, parents learn to recognize the disorder and moderate it.

Chapter 11—Engage in difficult financial discussions. Every day brings teachable times that give you the opportunity to talk to your children about a range of financial issues.

Chapter 12—Flexibility: How to integrate the behaviors into your parenting style. Flexibility helps teach kids that it's wise to consider other options that even if you fall in one approach, another one is available that might be more successful.

The Financially Intelligent Parent, is not intended to make you perfect but rather to improve your skills through three important elements: (1) try to establish a greater awareness of how you think and act about money issues, (2) be consistently aware of your money behaviors and (3) adopt a flexible attitude toward money related issues. Finally, as parents, teaching our children how to save and spend is not only important for their present financial state, but to help them begin to build a solid financial future as well.

Pauline Madison, is a Community Readiness Technician, AFCPE Certified with Airman & Family Readiness Center, Aviano Air Force Base, Italy.

The Financially Intelligent Parent: 8 Steps to Raising Successful, Generous, Responsible Children
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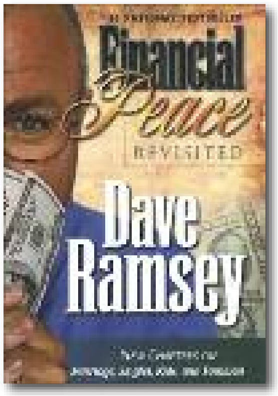

Financial Peace Revisited

Written by Dave Ramsey

Reviewed by Allison Mecadon, Military Spouse Fellow

Financial Peace Revisited by Dave Ramsey has a wealth of practical information about how to counsel families through financial difficulties and help them on the road to financial peace. His advice is simple, yet comes from a great deal of personal experience and experience counseling individuals and families in financial distress. He begins with his own story of literally becoming a millionaire by the age of 26 then losing everything he owned little by little over the next several years. He uses his own story to show people that it does not matter how bad the situation is, there is a way to be successful with your finances.

He also offers support through small accountability groups that meet for 13 weeks, based on the concepts he discusses in his book. This publication is valuable because it explains easy, practical ways to address difficulties with finances to which the majority of people can relate.

Dave Ramsey gives simple, straightforward advice throughout the book. The book is organized into 22 short chapters on topics such as developing a power over purchase, living substantially below your income, dumping debt, saving money, investing money simply, buying big bargains and dealing with emotional and relational issues around money. The short chapters allow the reader to focus on one topic at a time while also understanding the big picture.

He also includes many financial worksheets that coincide with his simple approach to personal finance such as a net worth balance sheet, a monthly cash flow plan sheet, and an allocated spending plan. He encourages people to get "gazelle intense" and pay off their debt as quickly as possible. He recommends old fashioned advice such as not buying things you cannot afford and work extra to pay for things you want. He tells readers to "Live like no one else, so later you can live like no one else!"

Another important aspect of his book is the "7 Baby Steps" he outlines to help anyone to be successful in their finances.

Often financial counselors focus on giving clients information without working to understand what motivates the client to be successful.

Baby Step One is to quickly get $1,000 in an emergency fund. *Baby Step Two* is to pay all personal debt except the home mortgage. *Baby Step Three* is to continue building an emergency fund until you have 3-6 months of expenses. *Baby Step Four* is to save 15 percent of your gross household income in retirement plans. *Baby Step Five* is to save for your children's college. *Baby Step Six* is to pay off your house early. *Baby Step Seven* is to get rich and give your money away to worthy causes. Through these seven baby steps, he advocates that anyone can be successful with their finances. The important thing is work on one small step at a time.

Financial counselors and financial planners can benefit greatly from this book because the baby steps are a simple, easily understood way to help clients manage their finances successfully. It also helps counselors and planners to understand all of the many aspects that go into motivating change, besides the technical financial knowledge. Often financial counselors focus on giving clients information without working to understand what motivates the client to be successful.

Financial Peace Revisited is a great resource for counselors and planners to read for themselves, as well as an excellent resource to recommend to clients. Clients could work through the book with their financial counselor over a period of time or read this book on their own to continue their personal growth.

Allison Mecadon is a Military Spouse Fellow resideing in Henrico, Virginia and can be reached at allisonmecadon@hotmail.com

Financial Peace Revisited

Author: Dave Ramsey

Publisher: Lampo Press

ISBN: 9780670020423

Cost: $17.99

Available at www.amazon.com

Notes from the Executive Director

By Gordon Genovese

AFCPE Executive Director

Your AFCPE staff and member committees continue to make strides in improving avenues for communication and crosstalk amongst the members and certified counselors that are the core of AFCPE. Three significant initiatives occurred during the second quarter of 2010: (1) the membership minute e-mail began, (2) AFCPE launched its own Facebook page, and (3) the AFCPE database went online.

Membership committees do important work for your association and the Electronic Communication committee has been busy launching the *Membership Minute* e-mails. It goes out every month with information to help you stay abreast of current issues and trends that affect personal finance, as well as upcoming events. Response to the content of the *Membership Minute* has been very positive.

Please help the Electronic Communication committee with this endeavor. Please forward information and events that you think may be useful to your fellow members and certificants. The more ideas we have to pass along to each other the better.

The AFCPE Facebook (FB) page now has 188 fans. Several are people who are not members of our association. The FB page is an avenue to extend the reach and brand presence of AFCPE. We encourage all members and certificants to routinely check the page and take part in the discussion threads that have been initiated under the discussion tab. You can also post comments to the Wall and "meet" or "talk" with professionals that you may only see physically a couple times a year.

You can find the FB link on the AFCPE website and some of the discussion items on the FB page are linked to the AFCPE Blog. There is a lot happening in personal finance, let's see how robust a dialog we can have as we keep each other up-to-date in a very dynamic arena.

As you receive this issue of *The Standard*, you should have received instruction on how to log into the AFCPE database.

I want to express my respect and admiration for everything you do for your association and for the people you educate and counsel regarding personal finance.

This has been a complicated project, and we are happy that we can provide this service to you.

The online database enables you to view your AFCPE record. You can now change your personal information without having to submit a request through the AFCPE offices. Real time update is a boon for all, as we will have up-to-date contact information for the over 8,000 records, members and certificants, in our database.

The database also allows you to view your membership and certification records. This function will help you keep abreast of your membership status and, for those holding certifications, to easily view your continuing education status that is so important to maintaining certification. If you detect errors in your membership or certification record, please contact us so that we can correct the problem.

The AFCPE database is also a searchable database. When you initially logged in, or any time after that, you have the option to make yourself searchable so others may contact you. You may choose to be searchable only to those within AFCPE or searchable to the public. The "Find a Financial Counselor" search engine will be added to the AFCPE homepage. AFCPE members and certificants, as well as the general public will be able to search based on entering a zip code. You will only be searchable if you choose to be.

I want to express my respect and admiration for everything you do for your association and for the people you educate and counsel regarding personal finance. We hope these efforts help you stay connected with your peers and improve your outreach in the communities you serve.

One final note—as I write this, AFCPE is 888 members strong. Can we reach the 1,000 mark this year?

Please note, if you are not receiving regular e-mails from AFCPE, it is possible that we do not have your current e-mail address on file. To update your information, please contact Cara Defibaugh at cdefibaugh@afcpe.org. Thank you.

AFCPE Debuts Revamped Website

AFCPE has revamped it's website and sent notification to all members by e-mail. As a result of these improvements you will be able to log in, view your record for membership and certification status, edit your contact information, and search for other members. In order to get full value for your membership dollars, you need to use the tools that AFCPE provides. Here's how…

Activate Your Account

1. On members.afcpe.org, click on 'Request Access' and enter your e-mail address in the form.

2. Assuming the e-mail entered matches AFCPE's records, you will receive an e-mail containing a link to activate your account. Example:

   From: no-reply@members.afcpe.org
   To: YOUR_EMAIL@example.com
   Subject: AFCPE Database -- activate your account

   YOUR NAME,
   If you have forgotten your password for the AFCPE Database, you can choose a new one by going to this link:

   http://members.afcpe.org/users/2464/activate?key=af4720bc4838eb0584a4a94429544de0370a9448

3. Open the link in the activation e-mail and it will take you to the 'Activate Your Account' page, where you'll need to set a password.

5. After you submit the form with your new password, you'll be sent to the login screen. Enter your email and the password you just chose to sign in.

Troubleshooting

1. If you don't get the activation e-mail, try checking your junk mail folder; some services (particularly AOL, Yahoo and Hotmail) have particularly aggressive spam filtering policies. Adding 'no-reply@members.afcpe.org' to your address book may help prevent this.

2. If the activation e-mail didn't arrive at all, you can request another using the same method.

3. If you're still having problems, please contact AFCPE for more support.

Once You Are Logged In

A number of options await you, once your account has been activated and you are logged in. Here you can:

- Update your contact information and visibility settings
- View your membership details, including a record of your membership payments
- View your certification details, including a detailed breakdown of certification payments, courses and CEU credits.
- Search for other members.
- If you're on a public or shared computer, don't forget to log out when you're done!

There are a host of benefits available right at your fingertips. Take a look now and keep coming back!

Congratulations New Certificants

AFCPE Accredited Financial Counselor® Graduates (2/19/10 through 6/1/10)

Archuleta, Elizabeth
Armon, Douglas
Banda, Roberta
Carlsward, Kathryn
Carrington, Katrina
Close, Holly
Colom, Bartolome
Connolly, Brett
Crawford, MaryEllen
Crispino, Amy
Davis, Rachelle
De Freitas, Gene
Donald-Spears, Patrenia
Doorbal, Michael
Drake, Devin
Fesel, Denise
Funderburk, Evguenia
Gadoury, Christine
Gerzsenye, Jeanna
Glass, Charles
Haswell, Mike
Helbig, Brenda
Johnson, Jennifer
Kammer, Mei Shan
Kodet, Jonathan
Lingard-Young, Charlotte
Lutton, Brenda
Manni, Joseph
Masters, Marty
Meads, Rocio
Medley, Bobbilynn
Molloy, Callie
Oetken, Todd
Olson, LeRoy
O'Neal, Jennifer
Pimentel, Michelle
Reid, Dianne
Rodas, April
Rozales, Teryn
Schafer, Paul
Schramka, Stephen
Schubert, Beth
Sherrod, Robin
Simmonds, Kelley
Simpson, Martina
Sommers, Novelda
Sturdivant, Corey
Swalve, Gary
Talcott, Stephanie
Wade, Ashley
Watts, Beth
Weaver, Karen
Whyde, Alison
Wietecha, Joseph
Williams, Christopher
Zaglaniczny, Holly

AFCPE Accredited Credit Counselor® Graduates (2/19/10 through 6/1/10)

Arteca, Teresa
Catalano, Lisa
Davidson, Peter
Evans, Cindy
Flesch, Cathy
Flores, Joe
Garza, Marga
Harris, Nathlie
Lopez, Jose
Louie, Hugo
Maldonado, Benny
Manlio, Melody
Martin, Bret
Nelson, Eric
Nichols, Amber
Nichols, David
Romeo, Mark
Rubba, Frank
Schlink, Melody
Smith, Matt
Thomas, Melissa
Turley, Ken
Wallace, Andy
Wilcox, Brian
Willyard, Jim
Wilson, Emily
Zukowski-Faust, Amy

AFCPE Accredited Financial Counsellor Canada℠ Graduates (2/19/10 through 6/1/10)

Carter, Angie
Cromb, Leah
Gavisetty, Rama
Gorman, Jennifer
Maxfield, Janet
May, Daniel
McAleese, Barbara
Moore, Anita
Penstone, Meg
Plante, Patricia
Robichaud-Tobin, Stephan
Roy, Tanya

AFCPE®

Association for
FINANCIAL COUNSELING • PLANNING • EDUCATION

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AFCPE® *Financial Solutions for Life*

We believe...

Everyone has financial desires that affect their lives every day.

Better financial decisions lead to a better quality of life.

People can make better decisions when they are supported by a trained professional.

Academics, research and practical experience inform professional financial counselors and educators.

Setting the standard for performance and a forum for learning will provide a consistently higher level of service.

Purpose...

To advance the profession of Personal Finance by promoting and supporting the field of personal financial counseling and education.