

Investment Education: A Review of Selected Investment Education Resources

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Fewer than half of all Americans are experiencing the potential long-term rewards of equity investing. According to the Federal Reserve Board, 48.8% of U.S. households owned stock, directly or through mutual funds and employer retirement accounts, such as 401(k)s, in 1998, up from 31.6% in 1989 (Kennickell, Starr-McCluer, & Surette, 2000). Thus, there is clearly a large segment of the U.S. population that needs to learn about advantages of investing, characteristics of various investment products (e.g., mutual funds), how to make the transition from "saver" to "investor," and related topics (e.g., tax-deferred investing, "finding" money to invest, investment fraud). Several additional reasons for investor education exist: approximately 76 million aging baby boomers (aged 38 to 56 years in 2002) approaching retirement age, new financial products/services (e.g., Roth IRAs, exchange traded funds, mutual fund "supermarkets"), have been introduced and media attention has increased the focus on personal finance topics.

Several empirical studies have explored consumer interest in investment-related topics. Kim, Bagwell, and Garman (1998) investigated topics of interest to participants in a workplace financial education seminar. Investing (78.2%) and retirement planning (69.2%) were of most interest to respondents. Similar results were found by O'Neill, Xiao, Bristow, Brennan, and Kerbel (2000). Over a third (36.7%) of their sample of 520 Cooperative Extension MONEY 2000™ program participants indicated interest in general investing, 31.3% in retirement planning, 14.6% in stocks, bonds, and Treasury bills, and 14.4% in mutual funds. Participants 34 years or younger and 65 years or older were more likely than other age groups to want to learn about mutual funds. In a study of the

learning preferences of a sample of white collar clerical workers, Joo and Garman (1999) found that workers with higher educational levels were more likely to prefer education on investing and retirement planning.

A number of investment education resources are available to consumer educators. Below is a description of six programs. Contact information for each can be found in the Appendix.

Investing For Your Future is a basic investment home study course available nationwide through the Cooperative Extension System. A partnership of five land-grant universities, the Cooperative Research, Education, and Extension Service of the U.S. Department of Agriculture (CSREES-USDA), and the U.S. Securities and Exchange Commission (SEC) developed the course, which includes eleven units, a comprehensive glossary of investment terms, a list of suggested "action steps," and initial and follow-up course evaluation forms. *Investing For Your Future* is available both in print format and on the Internet at www.investing.rutgers.edu.

Investing For Your Future was developed for beginning investors with small dollar amounts to invest at a time. The course comprises the following individual units: *Building Blocks of Successful Financial Management* (e.g., emergency fund, goal-setting), *Investing Basics* (e.g., risk vs. reward, asset allocation), *Finding Money to Invest*, *Equity Investing*, *Fixed-Income Investing*, *Investing in Mutual Funds*, *Tax-Deferred Investments*, *Investing With Small Dollar Amounts*, *Getting Help: A Guide to Investor Resources*, *Selecting Your Team of Financial Professionals*, and *Investment Fraud*. At the end of each unit are "action steps," which are lists of specific things that consumers can do (e.g., "investigate equity investments available through employer retirement plan") to incorporate the course content into their lives.

A unique feature of the online version of *Investing for Your Future* is "Ask the Experts." Users can e-mail a question to a panel of 25 personal finance experts from over a dozen universities who have volunteered to field questions on a variety of investment topics (e.g.,

annuities, mutual funds). In addition, staff at the U. S. Securities and Exchange Commission answers questions about investment fraud. These questions and answers are added to the Web site to develop a frequently answered questions (FAQ) page where all users can learn from these queries. In 2001, a *Study Guide*, with review questions and application activities, was added to the course, as well as dozens of links from the online version to Extension publications.

A six-week *Investing For Your Future* class series also was developed to teach the same basic investing information contained within the home study course. The class consists of about 250 PowerPoint slides with several of the home study units combined into one class session. The home study course and miniatures of the class slides are the class "handouts." Titles of the class sessions are *Basic Concepts and Investing Prerequisites*, *Equity Investing*, *Fixed-Income Investing*, *Investing in Mutual Funds*, *Investing Tax-Deferred and With Small Dollar Amounts*, and *Getting Help and Avoiding Investment Fraud*. Consumer educators can teach the class series alone or with assistance by financial services professionals. For information about ordering either the print home study course or curriculum, contact Rutgers Cooperative Extension (see Appendix).

The Investment Company Institute (ICI) has a 32-page publication called *Understanding Mutual Funds*. It was developed for distribution at the U.S. Securities and Exchange Commission's Investors' Town Meetings and for inclusion in *The Financial Facts Tool Kit*, available on line at www.sec.gov/consumer/toolkit.htm. To receive up to 50 copies of this publication for use in educational programs, send a written request on official letterhead to the Investment Company Institute (see Appendix).

The Financial Literacy Center has a 12 slide PowerPoint presentation available called *The Basics of Investing*. The color slide set covers key concepts such as investment risk and diversification and is appropriate for a short speaking engagement. Extra slides can be added to supplement those that are provided. Additional

presentations are available about 401(k) plans and retirement planning. For further information, contact The Financial Literacy Center (see Appendix).

The Financial Literacy 2001 program, a partnership of the National Association of Securities Dealers (NASD), and the North American Securities Administrators Association (NASAA), in cooperation with the National Institute for Consumer Education (NICE), has developed a five-unit curriculum called *Basics of Saving and Investing*. Developed especially for high school teachers, the course covers topics such as factors that influence investment decisions, types of savings and investments, and investment fraud. It is available upon written request on official stationary. For additional information, contact your state securities regulation agency, Financial Literacy 2001, or the National Institute for Consumer Education (see Appendix).

For educators who wish to deepen their understanding of investments, the American Association of Individual Investors (AAII) has a 10-unit home study course called *Investment Home Study*. The course includes some basic topics, as well as advanced investment topics such as international investments and futures markets. The cost of the course is \$55 for AAII members and \$75 for non-members, including shipping. For further information, contact the American Association of Individual Investors (see Appendix).

Money magazine provides a comprehensive 24-unit online personal finance course called *Money 101*. The course includes a variety of topics, including budgeting, taxes, insurance, and estate planning, and includes several units on investments. To access the course, check the Web site www.money.com/money/101.

Implications

The need for investment education has never been greater. Collectively, Americans are losing tens of billions of dollars of forgone compound interest each year by saving little or nothing for future goals or placing money in low-yielding bank passbook accounts instead of earning a higher return on investments ("Americans losing," 1999). This jeopardizes their future financial security.

While many people have limited funds with which to invest, their income represents an important "asset." Assuming an 8% average annual return, a household that invests \$10 a week (\$520 annually) will accumulate \$151,277 in 40 years. Increasing the weekly investment amount to \$75 (\$3,900 annually) \$1,134,578 will accrue (Brobeck, 1999).

Investing small dollar amounts that can grow to substantial sums appears to be a possible goal for many people. According to the 2001 Retirement Confidence Survey, almost half (47%) of workers currently are not saving for retirement and 65% of those already saving say that it is "reasonably possible" for them to save \$20 a week, or an additional \$20 weekly, respectively, for retirement. Better still, many baby boomers and the generations behind them still have the advantage of decades of potential wealth accumulation due to increased longevity.

Now is the "teachable moment" for investment education. Between 2001 tax law changes that include catch-up contributions for persons age 50 and over (2001 Tax Law Summary, 2001) and baby boomers reaching their peak earning and saving years, never before have so many people had an opportunity to do much to secure their future. A number of comprehensive and unbiased educational resources are available nationwide and have the potential to make a significant impact on the financial well being of U. S. citizens.

References

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- The 2001 Retirement Confidence Survey: Summary of Findings*. (2001). Washington, DC: Employee Benefit Research Inst.
- 2001 Tax Law Summary*. (2001). Albany, NY: Newkirk Publ.

(Appendix follows.)

**Appendix: Contact Information for Ordering Investment
Education Resources**

<p><i>Investing For Your Future</i> (home study course and curriculum) Rutgers Cooperative Ext. 3 High Street First Floor Newton, NJ 07860 973-579-0985 www.investing.rutgers.edu</p>		<p><i>Understanding Mutual Funds</i> ICI Education Foundation 1401 H Street, NW Washington, DC 20005 www.ici.org</p>
<p><i>The Basics of Investing</i> The Financial Literacy Center 350 E. Michigan Avenue Suite 301 Kalamazoo, MI 49007-9944 1-888-679-3300</p>		<p><i>Basics of Saving and Investing</i> Financial Literacy 2001 1901 North Fort Meyer Dr. Arlington, VA 22209 703-276-1116 www.FL2001.org</p>
<p><i>Investment Home Study</i> American Association of Individual Investors (AAII) 625 North Michigan Avenue Suite 1900 Chicago, IL 60611 800-428-2244 www.aaii.org</p>		<p>National Institute for Consumer Education Eastern Michigan University Room 559 Gary Owens Bldg. 300 W. Michigan Avenue Ypsilanti, MI 48197 734-487-2292 www.emich.edu/public/coe/nice</p>

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