Outcomes of a Workplace Financial Education Program

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Financial educators often wonder whether their efforts to improve the financial well-being of consumers, through repeated workshops, lectures, programs and materials, really have a positive impact on people's lives. Educators know they can teach people new information that will improve their knowledge base. However, they are not sure if the knowledge they impart motivates consumers to change their current behaviors. When knowledge gained translates into the adoption of recommended practices, and the improved practices are attributed to the program, then the link between programming and behavior change can be documented. Unfortunately, educators rarely have the opportunity to go back to their audiences and ask if the information that was presented resulted in actual behavior change.

A number of studies have examined the impact of workplace financial education programs on employees' personal financial behaviors. A study by Fletcher, Beebout, and Mendenhall (1997) found that participation in financial education workshops resulted in positive changes in the knowledge, attitudes, and behaviors of employees. Garman et al. (1999) also found strong evidence that workplace financial education is effective in changing employees' financial behaviors. However, this research did not use a pre- and post-test evaluation instrument, so differences could not be definitively attributed to the financial education workshops. In another study (Wechsler, 1997), financial educators evaluated several workplace financial education programs and found that participation in these programs resulted in improvements in anticipated behavior change. Participants reported that:

> they intend[ed] to start saving, to save more, to complete a financial plan within the next week, to increase contributions to the savings plan, to change investment selections ....This, however, only measures intention – and not implementation. (Wechsler, 1997, p. 97)

However, Wechsler (1997) was not able to show whether participants actually changed their behavior.

Finally, two studies used retirement savings to measure the success of workplace financial education programs. A nationwide study by Bernheim and Garrett (1996) found that employer-based financial education strongly influenced household financial behavior and resulted in increases in retirement savings. The second study by Patterson (1997) looked at the impact of financial education seminars for a professional services firm and found that the seminars resulted in a 12.1 percentage point increase in retirement plan participation among lower-paid employees compared to a 6.6 percentage point increase in participation among highly compensated employees, for an overall average increase of 7.7% (Patterson, 1997). This means that out of 100 lower-paid employees, about 12 joined the retirement plan as a result of the program, while only 7 out of 100 highly-paid employees joined because of the program.

The findings from this literature support the positive impact of workplace financial education on personal financial behavior. However, the evaluation methods used in these studies are far from satisfactory and point to the need for more rigorous program evaluations. To our knowledge, these studies have not used a combination of pre-tests, post-tests, and long-term follow-ups to conduct a definitive study of the impact of financial education programs on employees' personal financial behavior. This study addresses this critical gap in the literature.[1]

[1] University of Rhode Island Agricultural Experiment Station project entitled, "Impact of Workplace Financial Education on Employee Personal Financial Behavior and Productivity" (J. G. Anderson and C. M. Kerbel, 2001-2004).

Method

In 2002, two financial education programs were offered to employees in the state of Rhode Island: *Practical Financial Planning* and *Early Planning for Retirement*. Each participant attended at least one of these educational programs, which consisted of two, one-hour seminars presented two months apart.[2] The seminar topics for the *Practical Financial Planning* program were "Your Personal Financial Plan" and "Spending Tomorrow's Money Today." Seminar topics for the second program, *Early Planning for Retirement*, included "Am I Saving Enough for Retirement?" and "Investing Basics."

The instructional methodology consisted mostly of lectures and slide presentations. Question and answer opportunities were interspersed throughout the seminars, which were held in a comfortable employee training room. Also, worksheets provided the concrete application for the recommended financial management tasks and were discussed in-depth during the lectures. However, participants were expected to complete the worksheets at home. In addition, a website contained other support materials and electronic versions of the worksheets.

Measurement indicators were created for 28 financial tasks. These behavioral measures were refined during two pilot studies conducted prior to the research study. Task performance for each behavior was measured before and after the first seminar using a pre- and post-test. Each participant was asked on the post-test which financial behaviors they intended to complete within the next two months. Then, two months later, at the beginning of the second seminar, a follow-up survey was administered.

The research project was originally designed to include an experimental and control group for each program. However,

[2] The content of the seminars was written by C. Kerbel, J.G. Anderson, and K. DiSpirito, University of Rhode Island Center for Personal Financial Education, funded by a grant from the Credit Data New England (CDNE) Foundation.

preliminary results, reported elsewhere (Alves, 2003), indicated that the nature of the seminars was not different enough to find significant variation between the control and experimental groups. Thus, the groups were merged for the analysis presented here. The self-selected sample participated in a lunch-time program. Some participants attended only one part of a program and thus were not included in the study. The data used for this analysis is from the 121 participants who completed both parts of one of the programs. Sixty employees participated in the *Practical Financial Planning* program; sixty-one participated in the *Early Planning for Retirement* program.

The demographic characteristics of participants in both financial education programs were similar. In general, participants were between the ages of 45-54 (55.4%), married (57.0%), highly educated (70.3% had at least a college degree), with household incomes over $52,000 (67.8%).

Results

For each of the behavioral measures, researchers assessed the percentage of the sample which was: (1) doing the behavior prior to the seminar; (2) doing the behavior two months after the seminar; and (3) still not doing the behavior even after the seminar. The first part of the *Practical Financial Planning* program, "Your Personal Financial Plan," focused on the following financial tasks:

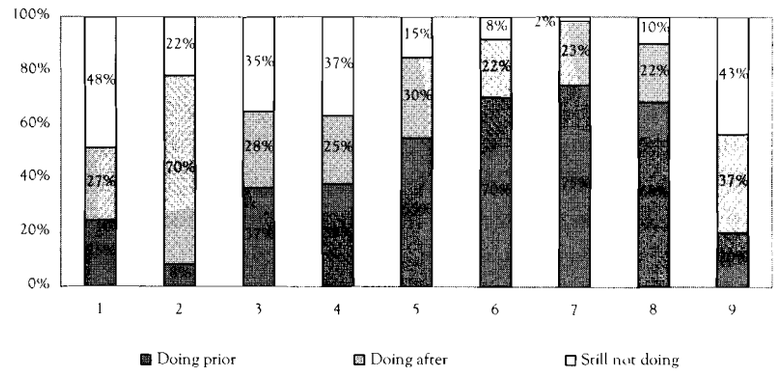
1. Write down specific financial goals
2. Prepare a net worth statement
3. Keep careful records of money that comes in and goes out
4. Follow a spending and savings plan
5. Regularly review and revise my spending and savings plan
6. Have an emergency savings account
7. Save regularly to meet long-term goals
8. For large purchases, compare prices and features

9. Before spending, consider how each purchase helps meet financial goals.

This list corresponds to the bars on Chart 1.

From Chart 1, we can see that prior to the seminar, many participants already had an emergency savings account (70.0%), were saving regularly to meet long-term goals (75.0%), and were comparing prices and features when making large purchases (68.4%). In contrast, very few had prepared a net worth statement (8.33%), written specific financial goals (25.0%), or considered how each purchase fit into their long-term plans (20.0%).

Chart 1
Your Personal Financial Plan

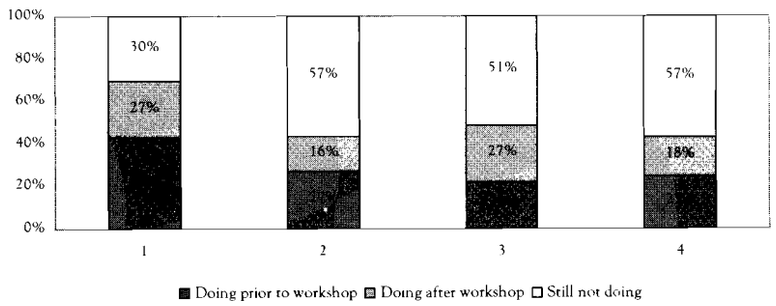


The second part of the *Practical Financial Planning* program, "Spending Tomorrow's Money Today," covered credit usage. The specific tasks that were examined included:

1. Reduce credit card balances
2. Compare offers to obtain credit card with the best terms
3. Review warning signs of a credit crisis
4. Review credit report.

As seen in Chart 2, about one-quarter of respondents had compared credit card offers (27.0%), reviewed the warning signs of a credit crisis (22.0%), and reviewed their credit report (25.0%) prior to the workshop. Many were trying to reduce their credit card balances (43.0%).

Chart 2
Spending Tomorrow's Money Today

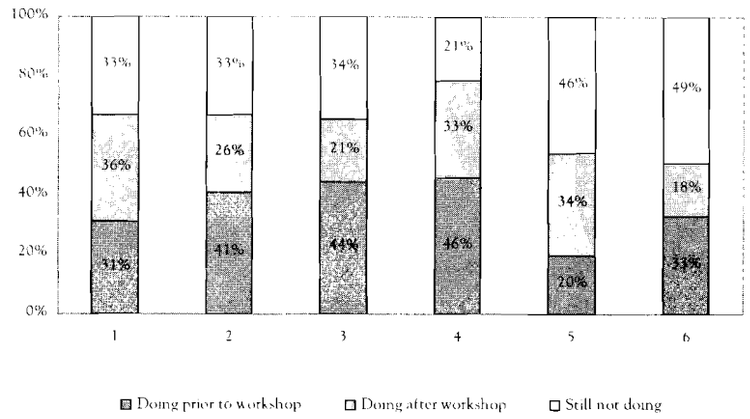


The first seminar in the second program, *Early Planning for Retirement*, was called "Am I Saving Enough for Retirement?" The six financial tasks covered in this seminar included:

1. Estimate annual income needed in retirement
2. Estimate the Social Security benefit I will receive
3. Estimate the defined benefit pension payment that I will receive from the state
4. Determine the dollar value of assets currently available for retirement
5. Evaluate whether I am saving enough for retirement
6. Increase retirement savings.

According to Chart 3, almost half of the participants had thought about how much they had already accumulated for retirement (45.9%). In addition, 44.3% had estimated the amount that they would receive from their defined benefit plan at

Chart 3
Am I Saving Enough for Retirement?



retirement, and only 41.0% reported that they had estimated their Social Security benefits. Since the state sends them this information each year, it was surprising that these percentages were not higher. Fewer than 20.0% had gone through the process of evaluating whether they had saved enough for retirement, which is to be expected since that was the title of the seminar. Results from the two-month follow-up indicated that an additional one-third of the sample was motivated by the seminar to: (1) estimate annual income needed in retirement, (2) determine the dollar value of assets available for retirement, and (3) evaluate if they were saving enough for retirement. These are three of the most difficult aspects of retirement planning.

The second seminar in the second program, *Early Planning for Retirement*, was called "Investing Basics." The nine financial tasks covered in this seminar included:

1. Set well-defined investment goals
2. Identify ways to save a small amount of money every day
3. Calculate the value of saving a small amount of money every day

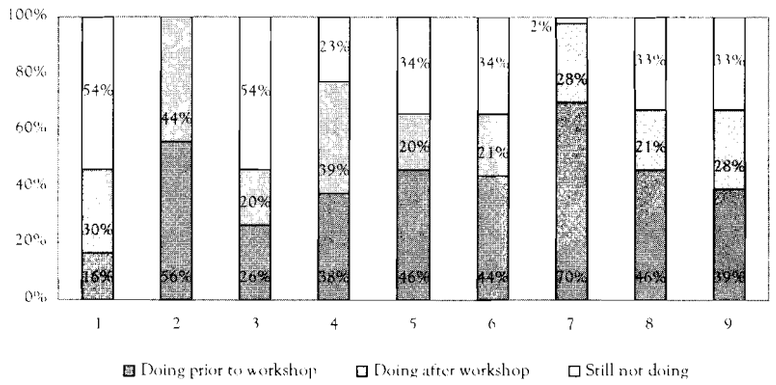
4. Classify my financial assets by whether they are savings or investments
5. Set up a savings account as an emergency cash reserve
6. Save money to invest later to reach future financial goals
7. Consider the kinds of risks carried by each of my financial assets
8. Compare how my financial assets are allocated
9. Analyze how well diversified my financial assets are.

As seen in Chart 4, many participants had already considered the kinds of financial risks associated with each of their financial assets (69.9%) prior to the seminar. Also, many had identified ways to save a small amount of money every day (56.0%), while only 16.4% had 'set well-defined investment goals.' Thus, the general task of saving was more widely practiced than the task of setting specific 'well-defined' goals. According to the two-month follow-up, the greatest improvement in behavior was found for the task of 'identify[ing] ways to save a small amount of money every day.' Although half were saving money every day prior to the seminar, all participants were doing this task by the end. The two-month follow-up showed that, by the end of the second seminar, all but 3.0% of the sample had taken into consideration the kinds of risk associated with their financial assets. An additional 39.0% of the sample was classifying financial assets as savings or investments.

Another way to view this data is to consider the percentage of the sample that performed each of the 28 tasks before and after a seminar. Prior to attending the seminars, fewer than 30.0% of the subjects were doing the following financial tasks (from lowest to highest percentage): preparing a net worth statement (8.3%), setting investment goals (16.4%), evaluating adequacy of retirement savings (19.7%), considering how purchases fit into financial goals (20.0%), reviewing the signs of a credit crisis (22.0%), reviewing his/her credit report (25%), writing down specific financial goals (25.0%), calculating the value of saving a small amount of money every day (26.2%), and comparing the

best terms on credit cards (27.0%). These tasks required the consumer to evaluate the 'big picture' of his/her financial life, to conceptualize and record goals, and to make complex mathematical calculations that would reveal if progress was being made toward those goals.

Chart 4
Investing Basics



In contrast, those financial behaviors that were already being done by more than two-thirds of the sample included items such as: comparing prices and features before making large purchases (68.4%), considering the kinds of risk associated with each kind of financial asset (68.9%), having an emergency cash reserve (70.0%), and saving to meet long-term goals (75.0%). With the exception of 'saving to meet long-term goals,' most of these activities could be performed in isolation, without the benefit of a comprehensive financial plan.

For all 28 financial tasks included in the two-month follow-up, at least some portion of the sample reported improvement in behavior as a result of the workshop. Thus, one can conclude that attending a financial workshop does have a positive effect on financial behavior. The impact varies by task, with changes ranging from 16.0% to 70.0%. For 17 of the 28 financial

behaviors (61.0%), at least 25.0% of the sample reported that they had begun doing that financial activity as a result of participating in the workshop. Of the behaviors that 30.0% or more of the participants had adopted since the workshop, four were behaviors that required specific information and mathematical calculations to complete. These tasks included: preparing a net worth statement (70.0%), determining the dollar value of assets currently available for retirement (44.0%), evaluating whether saving enough for retirement (39.3%), and estimating the annual income needed for retirement (36.0%). For the remaining three tasks, instructors found that an explanation of financial terms, a discussion of the importance of the financial task, and guidance/practice on how to accomplish the task appeared to be sufficient enough to encourage the participants to adopt the practice.

After the seminars, some participants still had not adopted certain recommended financial behaviors. The percentages not doing these tasks ranged from 1.7% for 'save regularly to meet long-term goals' to 56.7% for 'review my credit report.' Savings-related behaviors were most likely to be accomplished. At the two-month follow-up, most of the sample was saving regularly (only 1.7% were not), had considered the risk related to their investments (3.3% had not), had established an emergency cash reserve (8.4% had not), and had determined the value of assets available for retirement (21.4% had not).

Conclusion

Results of this study indicate that for many people participating in a financial education workshop results in the participants adopting many of the recommended financial practices. Yet, there remain some who are not inspired by financial education to change their existing behaviors. Participants seem to have a greater inclination to change saving-related behaviors rather than those related to credit. It may be "reality avoidance" rather than a lack of computational skill which is

preventing consumers from engaging in some types of behaviors. Computing net worth is easier than estimating income needed in retirement or determining if one is saving enough for retirement.[3] However, even after two months, fewer participants had not calculated net worth than those who had either estimated income needed in retirement or evaluated if they were saving enough for retirement. Perhaps calculating net worth was less palatable to the participants since this required them to list and quantify all outstanding debt.

This study also points to program participants' reluctance to formulate a personal financial strategy with the 'big picture' in mind. They are willing to compare prices, but they do not consider how purchases help them meet financial goals. They save regularly to meet long-term goals, but they do not identify specific goals. They are aware that they should keep credit card balances low, but they do not review their credit report.

Implications for Financial Educators

The challenge for financial educators is to motivate consumers to see the 'big picture,' to develop a comprehensive financial plan, and to consider each decision in light of their long-term financial strategies. In developing workplace financial education programs, emphasis should be given to connecting the small, easy-to-accomplish financial management practices with the achievement of long-term goals and overall financial security.

Finally, an opportunity for creative use of evaluation data is highlighted in this study. The data on pre- and post-program practices offer a more dynamic view of how financial education programs can impact individuals' financial behaviors. Pre-test data can be a gold mine when used to guide programming. After all, there is little reason to teach skills that a large majority of the participants already practice. The collection of pre-program data

[3] This is assuming that one is making an estimate based on personal goals and resources and not using the blanket percentage of pre-retirement income rule.

well in advance of the program, such as during the program registration period, can result in the development of more effective curricula and programs. Collecting this type of information can help educators identify the specific needs of the participants at the time of program delivery. Likewise, long-term follow-up data can be used to identify specific behaviors that have not yet been adopted. By devising a program delivery strategy to collect long-term follow-up data and then engaging the audience in additional programming, educators can target and reinforce those financial tasks that need more practice, explanation, and motivation to overcome participants' reluctance to adopt them.

The findings from this research suggest the following "next steps" in the evolution of workplace financial education programs. First, educators may want to be more specific about individuals' objectives for attending a financial education program and tailor the program to those objectives. Second, they may want to provide more practice time for recommended tasks during the seminars to guide individuals as they learn and apply new financial management practices. Third, educators may want to explore participants' attitudes about their comfort level with the recommended practices, as a way to learn more about what motivates individuals to adopt new practices. Finally, educators should strive to quantify more program outcomes through comparison of pre-test, post-test, and long-term follow-up measures and with the use of experimental and control groups.

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