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National Council on Aging

Financial Literacy: Why it Matters to Older Women's Financial Well-Being

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Financial Literacy: Why it Matters to Older Women's Financial Well-Being

Office of Financial Protection for Older Americans | June 2019



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About the Bureau

The Consumer Financial Protection Bureau regulates the offering and provision of consumer financial products and services under the Federal consumer financial laws, and educates and empowers consumers to make better informed financial decisions.

consumerfinance.gov

Office of Financial Protection for Older Americans

The Office of Financial Protection for Older Americans engages in research, policy, and educational initiatives, designed to:

- help protect older consumers from financial harm
- help older consumers make sound financial decisions as they age

Learn more about us at

consumerfinance.gov/olderamericans



What is financial well-being?

What is financial well-being?

A state of being reflecting a person's ability to meet current and ongoing financial obligations, feel secure in their financial future, and make choices that allow enjoyment of life.

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

The Financial Well-Being Scale

Questions	Response Options
<p>How well does this statement describe you or your situation?</p> <ol style="list-style-type: none">1. I could handle a major unexpected expense2. I am securing my financial future3. Because of my money situation, I feel like I will never have the things I want in life4. I can enjoy life because of the way I'm managing my money5. I am just getting by financially6. I am concerned that the money I have or will save won't last	<ul style="list-style-type: none">• Describes me completely• Describes me very well• Describes me somewhat• Describes me very little• Does not describe me at all
<p>How often does this statement apply to you?</p> <ol style="list-style-type: none">1. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month2. I have money left over at the end of the month3. I am behind with my finances4. My finances control my life	<ul style="list-style-type: none">• Always• Often• Sometimes• Rarely• Never

The Financial Well-being Score



- Standardized number (similar to SAT score)
- A number between 0 and 100
- Adjusted by mode of administration and age group

Interpreting the score

National Financial Well-Being Survey

A nationally representative survey of almost 6,400 adults 18+, including questions on topics such as...

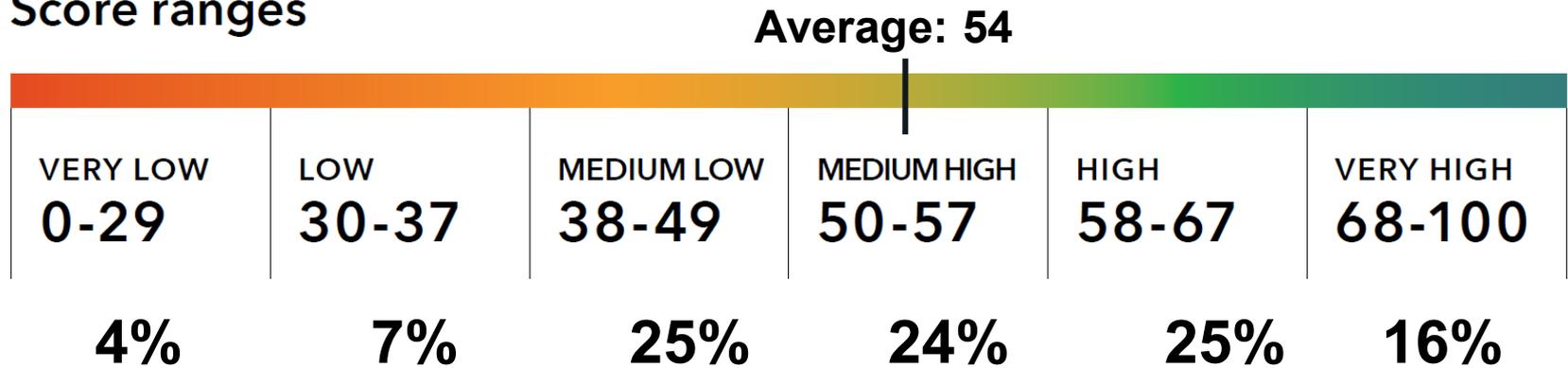
Category	Measures
Financial status and circumstances	CFPB Financial Well-being Scale and Score ; ability to meet basic needs; experience of material hardship
Individual characteristics	Education; Age; Physical health; Race/ethnicity; and Sex
Household and family characteristics	Housing satisfaction; Housing status; Marital status; Financially supporting children; Census region
Income and employment characteristics	Employment status; Household income; Federal poverty status; Income volatility; Receiving Social Security retirement benefits; Military service (service member or dependent); Veteran status; Employer-provided benefits
Savings and safety nets	Liquid savings; Ability to absorb an unexpected expense; Have non-retirement investments; Have health insurance; Have friends/family safety net for emergency needs
Financial experiences	Turned down for credit; Contacted by debt collector; Have checking or savings account; Use non-bank, short-term credit; Use non-bank transaction product; Housing cost burden; Negative financial services experience; Experienced any negative financial shocks; Have student loan; Financial socialization; Responsibility for own finances
Financial behaviors, skills, and attitudes	Confidence in ability to achieve a financial goal; Have a habit of saving; Effective day-to-day money management behaviors; Planning horizon of 5+ years; Propensity to plan for finances; Financial knowledge; Financial skills



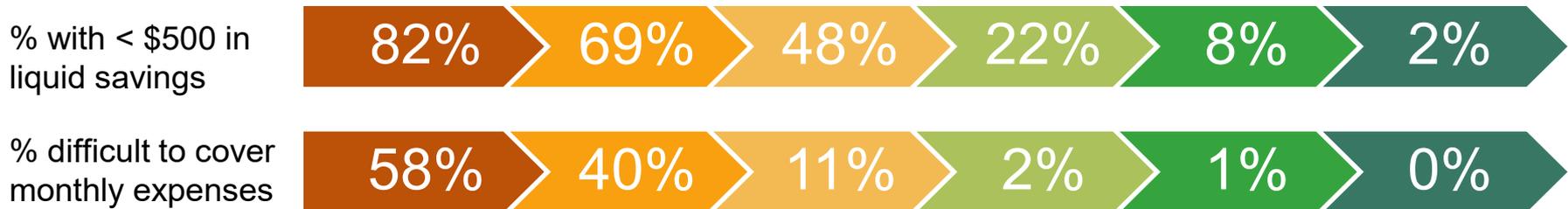
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Financial well-being score benchmarks (adults 18+)

Score ranges



Scores reflect a continuum of real financial experiences:

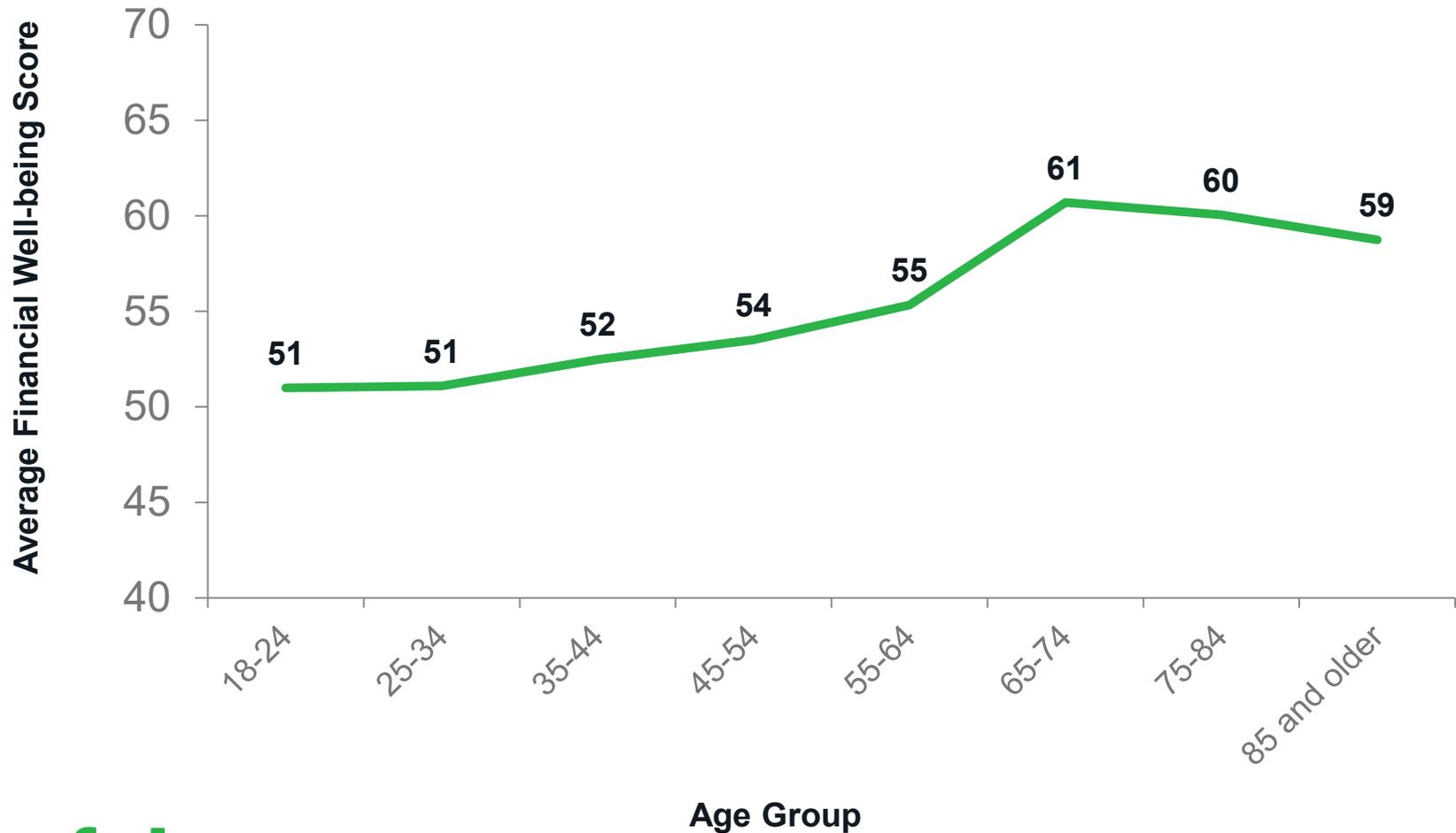


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Source: CFPB National Financial well-being Survey 2016

Financial well-being scores of older women

Average financial well-being scores by age group



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Age Group

Source: CFPB National Financial well-being Survey 2016

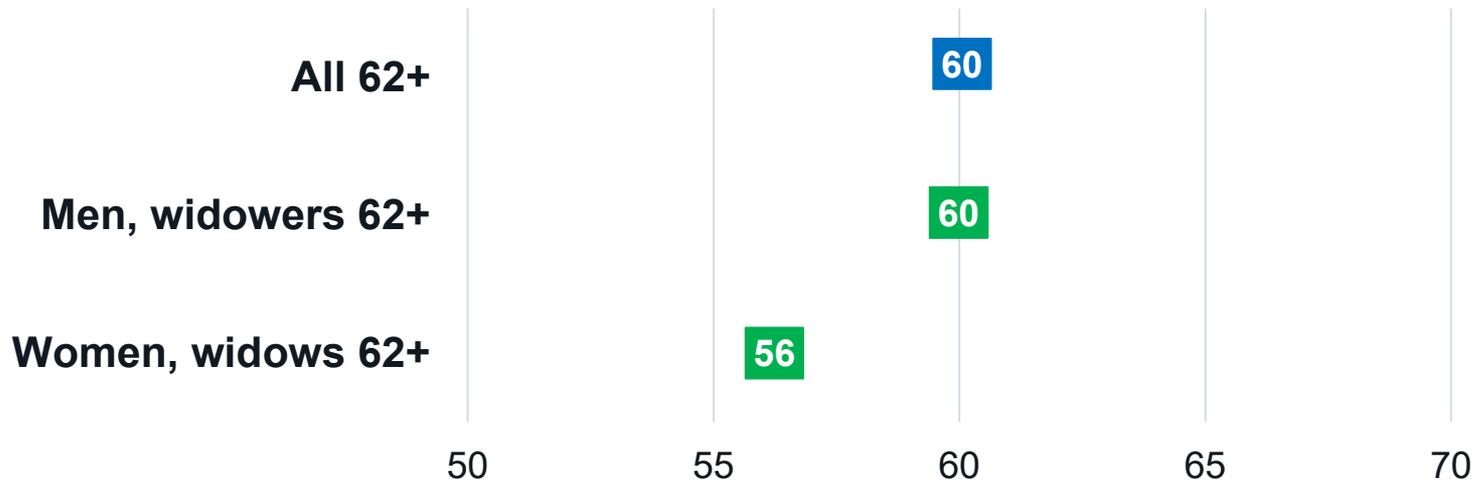
Differences in average financial well-being scores by age group and sex

Subgroup	Ages 18-29	Ages 30-44	Ages 45-61	Ages 62 and older
Male	51	52	54	61
Female	50	52	54	59

Older women with low liquid savings and in poor health have the lowest levels of financial well-being

	Average Financial Well-Being Score	Percent of older women
All women 62+	59	100
Non-white	56	23
Still employed	60	7
Does not have a DB or DC plan	51	51
Living alone	56	69
Less than \$500 in savings	44	19
High School education or Less	56	49
Poor/Fair Health	51	20
Lower than median financial skill	53	44

Widowhood and financial well-being



The role of financial behaviors and skills

Studying the role of behaviors and skills

Financial well-being

Your perceived financial security and freedom of choice

Financial behavior

Day-to-day actions you take to secure your financial life

Financial situation

The objective facts of your financial life

Financial skill

How you find, process, and use relevant financial information



Financial Skill Scale

Questions	Response Options
-----------	------------------

How well does this statement describe you or your situation?

- | | |
|---|-------------------------------|
| 1. I know how to make complex financial decisions [†] | |
| 2. I am able to make good financial decisions that are new to me | • Describes me completely |
| 3. I know how to get myself to follow through on my financial intentions [†] | • Describes me very well |
| 4. I am able to recognize a good financial investment | • Describes me somewhat |
| 5. I know how to keep myself from spending too much | • Describes me very little |
| 6. I know how to make myself save [†] | • Does not describe me at all |
| 7. I know where to find the advice I need to make decisions involving money | |

How often does this statement apply to you?

- | | |
|---|-------------|
| 1. I know when I do not have enough information to make a good decision involving my money [†] | • Always |
| 2. I know when I need advice about my money | • Often |
| 3. I struggle to understand financial information* † | • Sometimes |
| | • Rarely |
| | • Never |

* Denotes questions for which the response options are “reverse coded.”

† Denotes questions that are part of the abbreviated (5-question) scale.

Other controls

- Financial knowledge
- Frugality, perceived economic mobility, self-control and discount/time preference
- Race, sex and marital status
- Age, income and education
- Employment status, employer benefits
- Financially supported children
- Professional financial advice
- Family financial socialization

Financial literacy of older adults by sex

	Male (62+)	Female (62+)
Financial knowledge score (avg.) (1-3)	2.7	2.5
Financial skill score (avg.) (0-100)	51	50
Percent with a habit of savings	56%	57%
Percent that consults a budget	66%	69%
Parents provided savings account	29%	27%
Percent highly confident in their ability to achieve goals	87%	86%
Objective numeracy (dealing with probabilities)	67%	55%
Objective numeracy (dealing with percentages)	73%	66%
Frugality (Reusing items)	89%	87%
Self-Control	24%	22%
Discount/Time Preference (Low discount/High Patience)	66%	56%
Percent with a planning horizon of 5+ years	42%	38%

Explaining financial well-being



In summary, the study found that after controlling for a number of factors, financial behavior and skill are strongly associated with an individual's financial situation, which in turn, is associated with their financial well-being.

Measuring your clients' the level of financial well-being and skill

Paper version

CFPB FINANCIAL WELL-BEING SCALE
Scoring worksheet

NAME OR NUMBER

1. Select the person's answers, record the response value in the right hand column and add up the total values for each part of the questionnaire.

This statement describes me	Completely	Very well	Somewhat	Very little	Not at all	Response value
1. I could handle a major unexpected expense	4	3	2	1	0	1
2. I am securing my financial future	4	3	2	1	0	2
3. Because of my money situation, I feel like I will never have the things I want in life	0	1	2	3	4	1
4. I can enjoy life because of the way I'm managing my money	4	3	2	1	0	1
5. I am just getting by financially	0	1	2	3	4	3
6. I am concerned that the money I have or will save won't last	0	1	2	3	4	1
Part 1 subtotal:						9

This statement applies to me	Always	Often	Sometimes	Rarely	Never	Response value
7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month	0	1	2	3	4	1
8. I have money left over at the end of the month	4	3	2	1	0	1
9. I am behind with my finances	0	1	2	3	4	0
10. My finances control my life	0	1	2	3	4	1
Part 2 subtotal:						3
Total response value:						12

2. Find the financial well-being score

How old is the person?
 18-61 62+

How did the person take the questionnaire?
 Self administered
 Administered by someone else

Because scores vary based on age and how the questionnaire was administered, you must convert the total response value to a financial well-being score.

a. Find the row that corresponds to the total response value.

b. Follow that row across to the column that corresponds to the person's age and how the questionnaire was administered.

c. Record the final score.

Financial well-being score: 40

Total response value	Questionnaire self-administered		Questionnaire administered by someone else	
	18-61	62+	18-61	62+
0	14	14	16	18
1	19	20	21	23
2	21	24	24	26
3	21	26	27	28
4	21	29	29	30
5	21	31	31	32
6	31	33	33	33
7	31	35	34	35
8	34	36	36	36
9	35	38	38	38
10	37	39	39	39
11	38	41	40	40
12	40	42	42	41
13	41	44	43	43
14	42	45	44	44
15	44	46	45	45
16	45	48	47	46
17	46	49	48	47
18	47	50	49	48
19	49	52	50	49
20	50	53	52	50
21	51	54	53	52
22	52	56	54	53
23	54	57	55	54
24	55	58	57	55
25	56	60	58	56
26	58	61	59	57
27	59	63	60	58
28	60	64	62	60
29	62	66	63	61
30	63	67	65	62
31	65	69	66	64
32	66	71	68	65
33	68	73	70	67
34	69	75	71	68
35	71	77	73	70
36	73	79	76	72
37	75	82	78	75
38	78	84	81	77
39	81	88	85	81
40	86	95	91	87

Learn more at consumerfinance.gov/financial-well-being

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Online version

Find out your financial well-being

Answer ten questions to measure your current financial well-being and see steps you can take to improve it.

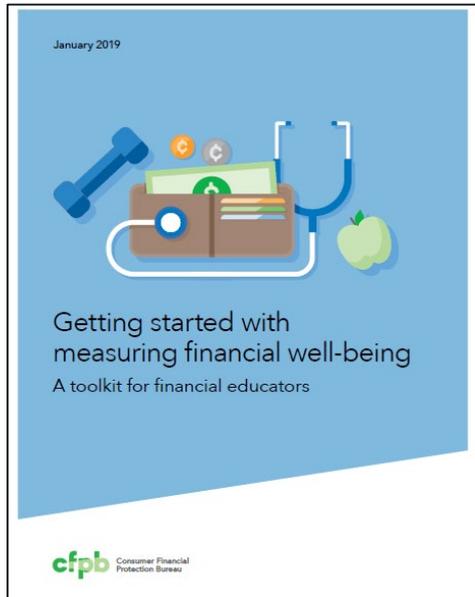


Interactive tool that allows consumers to:

- Answer the questions and get their score
- Find steps they can take to improve their financial well-being
- See how their score compares to other U.S. adults

consumerfinance.gov/financial-well-being

Financial well-being toolkit

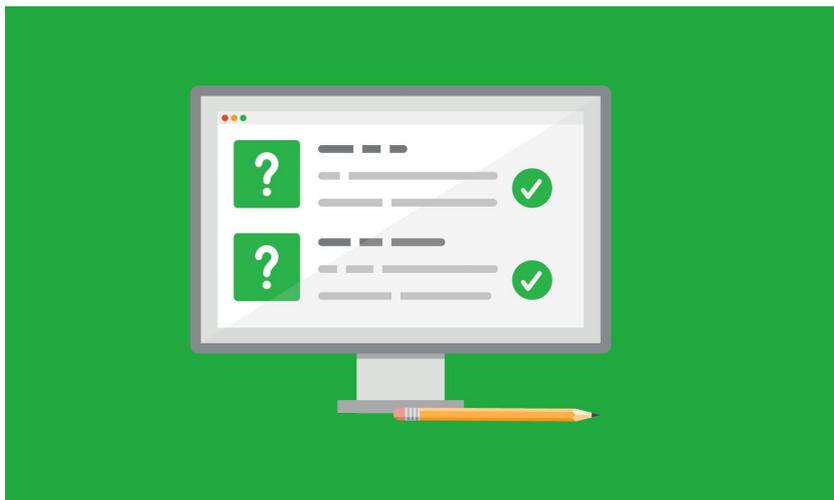


A toolkit for financial educators:

- How to use the scale
- Case studies
- Benchmark tables
- Complementary resources

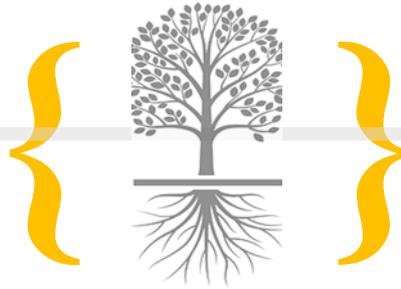
consumerfinance.gov/practitioner-resources/financial-well-being-resources/

Using the financial skill scale



For the financial skill user guide and scale questionnaire and scoring table, visit:
consumerfinance.gov/data-research/research-reports/measuring-financial-skill/

Questions?



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