**CURRENT TREND STATEMENT**

**Issue:** Financial Security for Youth

**Situation:** U.S. teens have enormous purchasing power but often lack financial knowledge to manage their resources more effectively leading to an increased chance for financial security in later life. Although most students have some form of income, such as an allowance, wages from a job, and gifts from relatives, just over half (54%) view savings as very important. One in three teens carry their own credit card, and half of all college students have a major credit card. More than a fourth (28%) of students with credit cards roll-over debt each month. The majority of teens (66%) say they need to know more about financial issues. Only a fifth (21%) of teens have ever taken a financial management course in school. Among those who have taken a course, more than a third (41%) said they started saving, more than a quarter (28%) increased their savings, one-fifth invested their savings differently, and nearly one-fifth (19%) developed a budget. Most teens (94%) say their parents are a likely source for financial information. Yet, only about a fourth (26%) of teens say their parents actively taught them how to manage their money. Nearly a third (30%) said their parents rarely or never discuss saving and investing with them.

**Trend:** The recent incorporation of financial literacy into the Georgia Performance Standards for Economic Understanding means that all Georgia students will learn about money management starting in kindergarten and continuing each year of school through the 12th grade. The standards for grades 7 through 12 will be implemented in Fall 2007, with K through 6 following in Fall 2008.

**Outlook:** The incorporation of money management into the social studies curriculum will pay off in the long term with financially literate high school graduates on track to become financially secure adults. As the standards are implemented over the next two years, there is a tremendous need in every Georgia school for financial literacy training targeted to social studies teachers. Teachers need content training, information about quality educational resources targeted to various age groups, and assistance in incorporating the content into lesson plans.

**County Programming Applications/Implications:** Family and Consumer Sciences Agents can provide reach out to social studies teachers to make them aware of FACS Extension as a readily available resource for financial literacy support and information. FACS Agents can work in partnership with local FACS teachers, Georgia Centers for Economic Education, and other entities to offer Professional Development Units for financial literacy training in 2007, 2008, and beyond.

**Specialist(s) Supporting this Issue:** Michael Rupured & Robert B. Nielsen

**Available Resources to Support County Programming:** Rupured is providing leadership for the statewide planning for training for teachers of grades 7-12 to be arranged and conducted by FACS Agents in their communities. The grades 7-12 training will primarily revolve around the National Endowment for Financial Education’s (NEFE) High School Financial Planning Program (HSFPP)®, but will also include financial literacy materials provided by other financial
education groups such as the Georgia affiliate of the National Council on Economic Education (GCEE/NCEE). Similarly, Nielsen is providing leadership for training for teachers of grades K-8. Check the Financial Literacy for Youth FACS Extension website for additional youth financial literacy resources.
CURRENT TREND STATEMENT

Issue: Financial Security for Families: Short- and Long-Term Savings

Situation: The U.S. personal savings rate has historically been low relative to other nations, but recent trends provide greater cause for concern. Until recently the personal savings rate had not been negative since the Depression. Unfortunately, over the past five quarters the net personal savings rate has been negative (Bureau of Economic Analysis, 2006). Some economists believe that the low personal savings rate is not of much concern due to concomitant increases in assets, particularly securities and homes (Garner, 2006). Most agree, however, that a negative personal savings rate frequently does place the economic well-being of individuals and families at risk.

Trend: The U.S. personal savings rate has continually declines over the past quarter century and now sits at a historically low level. Baby boomers nearing retirement do appear to be saving more in recent years, but there is some evidence that the savings are for near-term is it for living expenses that support historically high consumption levels.

Outlook: Given the current situation and historical trend, there is little reason to believe that the personal savings rate outlook is positive. Individuals and families appear to need positive inducements to reverse the trend from a consumption-orientation to a savings-orientation. As a result, numerous new policies and incremental changes to existing tax law have been devised to encourage Americans to increase both short and long-term savings. However, these changes often are considered confusing to the general public. Furthermore, other financial challenges, including excessive consumer debt loads and poor financial habits (Cavanaugh & Sharpe, 2002), are likely to continue to remain significant obstacles to developing effective savings strategies for many families in Georgia and the Nation.

County Programming Applications/Implications: Cooperative Extension has the opportunity to educate Georgians about appropriate short-term and long-term savings goals and the financial tools that may be used for both. By providing clear, simple, and motivational savings steps to the people of Georgia, we can foster a culture of saving and delayed-consumption.

Specialist(s) Supporting this Issue: Robert B. Nielsen

Available Resources to Support County Programming: News article database (FACS Extension web site); PowerSave savings demonstration software and support materials; It’s Time to Save Panels/Posters (under development); Retirement and Long-Term Savings Curriculum for County Educators (under development); numerous materials from public and private groups, including the FDIC, NCUA, EBRI, IPT, and others; see Consumer Economics section of the FACS Extension web site for these and other resources.

References


CURRENT TREND STATEMENT

**Issue:** Financial Security for Families: Planning for Retirement

**Situation:** Because of the aging Baby Boomers who were born between 1946 and 1964, America is preparing for the largest number and percentage of retirees in our history. This pending demographic shift has many concerned about the preparedness of individuals, families, and institutions. This concern exists for many reasons; four are discussed here. **First,** life expectancy continues to increase. This requires that retirement plans consider the probability that one will need adequate funds for a longer period of time than one currently expects. **Second,** political and economic situation reflects a growing emphasis on personal financial responsibility throughout the life course, including later life. When considering retirement planning, this personal responsibility is expressed through personal savings, investments, Social Security earnings from one’s working years, and pension contributions. Unfortunately, participation in defined-contribution pensions among eligible wage and salary workers in Georgia is terrible. Georgia ranks 47th among the states in pension participation (Copeland, 2005). In addition, wage and salary workers have a poor understanding of salary replacement needs and generally underestimate the resources needed in retirement (Employee Benefit Research Institute, 2006). **Third,** the ability of Social Security to weather the pending economic and demographic changes remains uncertain. Social Security payments are the sole source of income for 20% of older Americans (Social Security Administration, 2005), and comprise 50% or more of the income that is received by 65% of older Americans (Social Security Administration, 2005). **Fourth,** public and private health insurance and the associated costs of medical care are straining individuals’ and families’ budgets. Per capita health care expenditures now exceed $6,000 and confusion reigns among retirees who must piece together public and private insurance policies to cover their medical needs.

**Trend:** Fortunately, life expectancy continues to trend upward. According to the National Center for Health Statistics, the life expectancy for a woman who lived to age 65 was 83.9 in 1990 and is now 85. Similarly, the life expectancy for a man who lived to age 65 was 80.1 in 1990 and is now 82. Unfortunately, personal retirement savings, investments, and pension contributions aren’t all trending upward. In 2001 the median net worth among boomers was a mere $107,000 (Kim, Kwon, & Anderson, 2006). By almost any measure this is an inadequate preparation for retirement, particularly when one considers that most of this wealth reflects home equity. Historically high installment debt loads have also deterred participation in discretionary savings plans (Cavanaugh & Sharpe, 2002). Defined-benefit pensions are also failing more often due to poor pension oversight. Currently, the Pension Benefit Guaranty Corporation (PBGC), the Federal corporation that watches over and protects traditional defined-benefit pensions, oversees the pensions of more than 60 Georgia businesses, or more than 750,000 workers and retirees (Pension Benefit Guaranty Corporation, 2006).

Social Security continues to be the sole source of income for older Americans (Social Security Administration, 2005). In addition, per capita expenditures on health-related services continue to outpace other goods and services. The average annual inflation rate since 1996 is approximately 2.5% whereas the medical care inflation rate over same period is 4.0%. Recent years have seen
relatively light inflationary pressure by historic standards, but increasing demand portends future increases. In addition, out of pocket medical care expenditures have trended upward. Per capita national health care expenditures were $3,381 in 1993 (13.4% of GDP), and $5,440 in 2002 (14.9% GDP). These pressures are expected to maintain momentum, reaching $10,709 in 2013 (18.4% GDP) (Heffler et al., 2004).

**Outlook:** The current situation and past trends suggest that Social Security will, unfortunately, remain the sole source of income for older Americans (Social Security Administration, 2006). Because future Social Security recipients will have fewer workers supporting each retiree, the long-term outlook for Social Security is often questioned. Because of this uncertainty, many economists suggest that people shore up their personal retirement savings to counteract the pressures on Social Security and the potential under-funding of defined-benefit pensions. With respect to medical care services, the increasing demand from Boomers portends greater inflationary pressure that may strain those who are not adequately prepared. A real question for the future is whether we, as individuals, families, and a country, will recognize the challenges ahead and begin saving without significant inducements or mandates.

**County Programming Applications/Implications:** Cooperative Extension has the opportunity to educate Georgians about the need to invest more time in retirement planning in our increasingly complex financial and policy environment. These education efforts should include information about appropriate saving and investment goals for various stages of life, changes in Social Security financing and eligibility, and strategies for maximizing one’s Social Security benefit. In addition, education about the availability of tax-favored saving and investing options, strategies that employers can use to encourage their employees to contribute to their contributory pensions, and the role of the Pension Benefit Guaranty Corporation will help Georgians prepare for their growing role as stewards of their own finances. Finally, educational efforts that inform Georgians about appropriate public and private insurance options for seniors, and the increasingly complex health insurance options available to those planning for retirement and current retirees, will help reduce out of pocket costs and improve access to medical services.

**Specialist(s) Supporting this Issue:** Robert B. Nielsen

**Available Resources to Support County Programming:** News article database (FACS Extension web site); *PowerSave* savings demonstration software and support materials; *It’s Time to Save* Panels/Posters (under development); *Retirement and Long-Term Savings Curriculum for County Educators* (under development); numerous materials from public and private groups, including the FDIC, NCUA, EBRI, IPT, PBGC, CMS; see Consumer Economics section of the FACS Extension web site for these and other resources.

**References**


