



Product-based Financial Education: Advocacy in Action

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CFR's Mission

As a non-profit organization we strive to:

- Research, develop, and promote low-cost consumer friendly financial products and services for LMI households.
- Build the capacity of community-based organizations to enhance the financial capabilities of their constituents.
- Establish best practice standards for other financial services providers.
- Promote an inclusive economy.

Examples of CFR's Work To-date

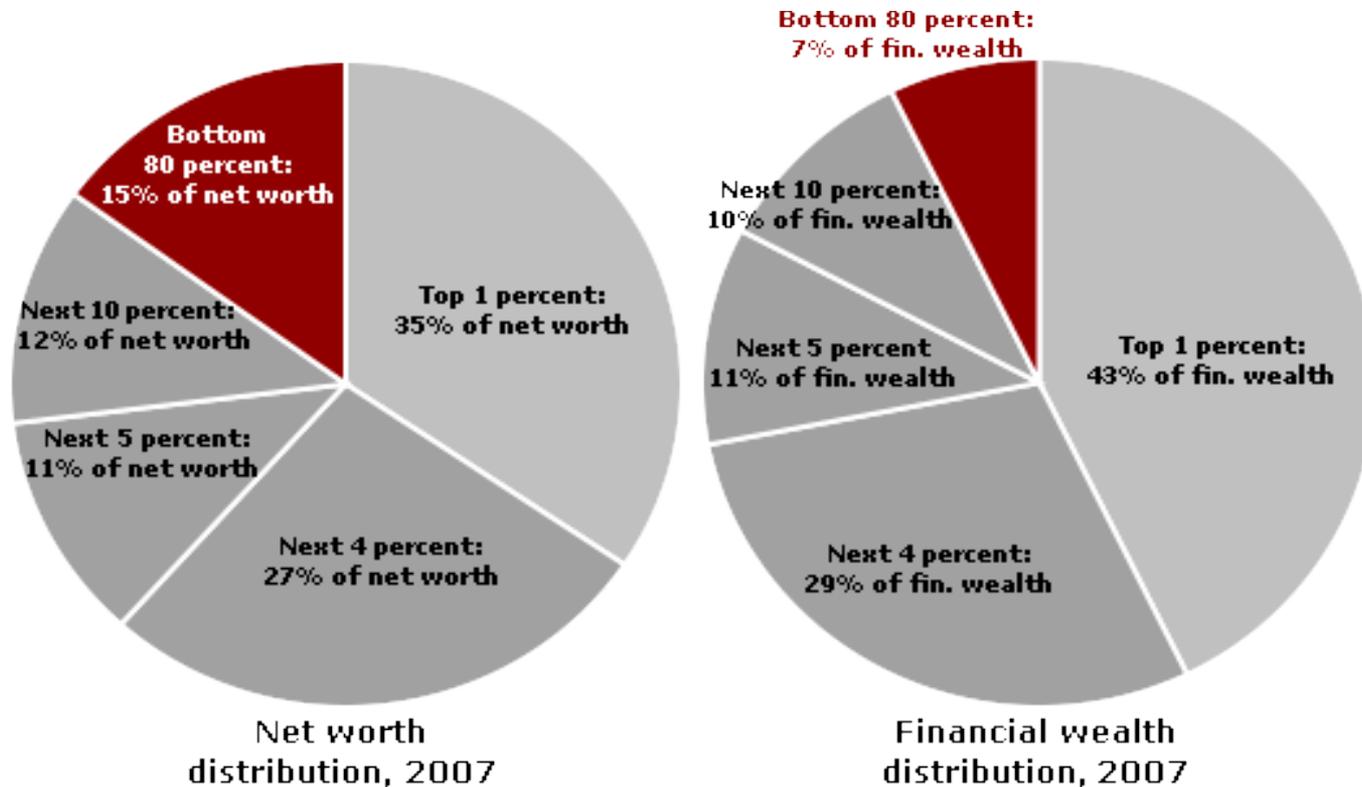
- Product development: prepaid debit card, employer based emergency loan, financial service kiosk
- Product evaluations and vendor due diligence
- Product-based financial education
- Other Outcomes:
 - Community-based financial services delivery channels
 - Social Marketing support
 - Industry analyses and Product provider negotiations
 - Asset-building program evaluation

Financial Education Strategies

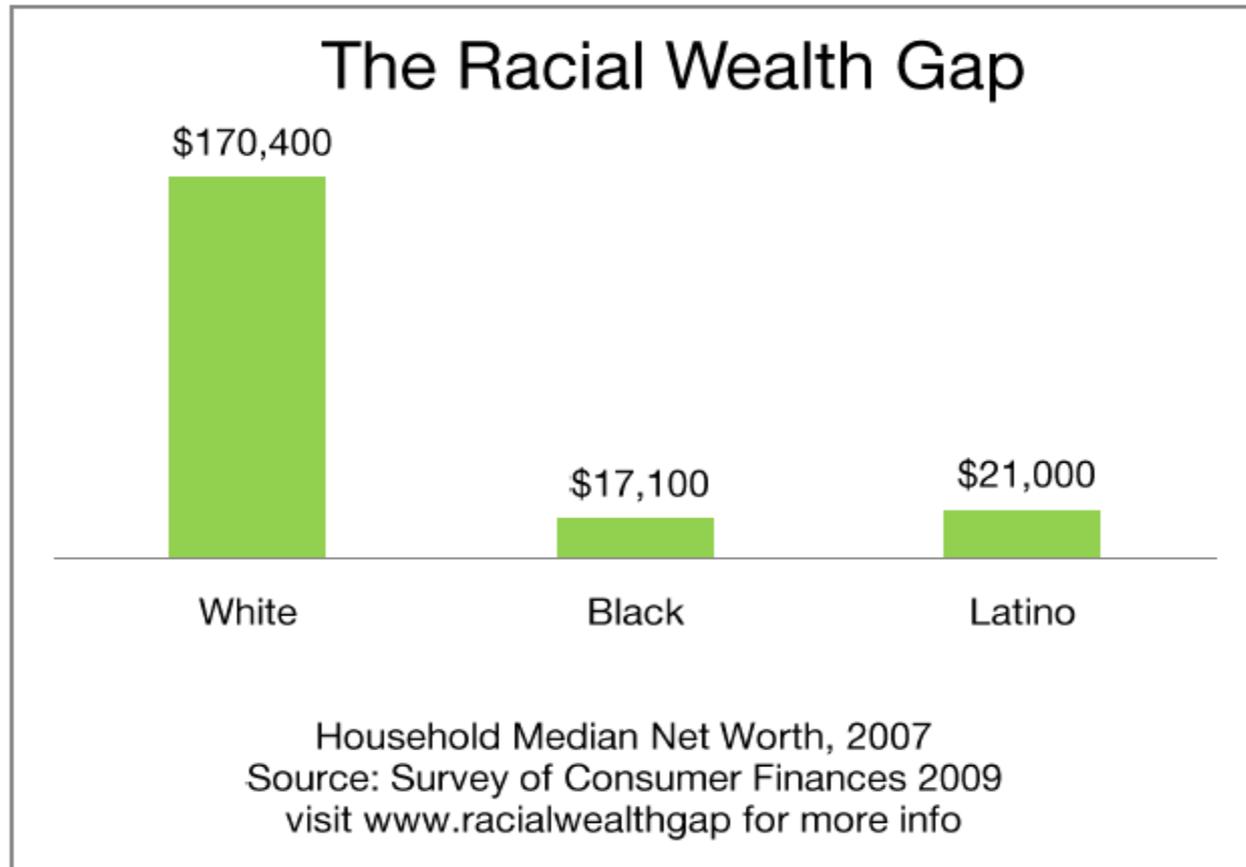
- Select effective delivery channels
- Design Task-based learning
- Leverage Behavioral Economics
- Incorporate social change models, e.g. voting with your dollars.

People are not Poor because they don't know how to manage their money!

Asset Distribution by Households

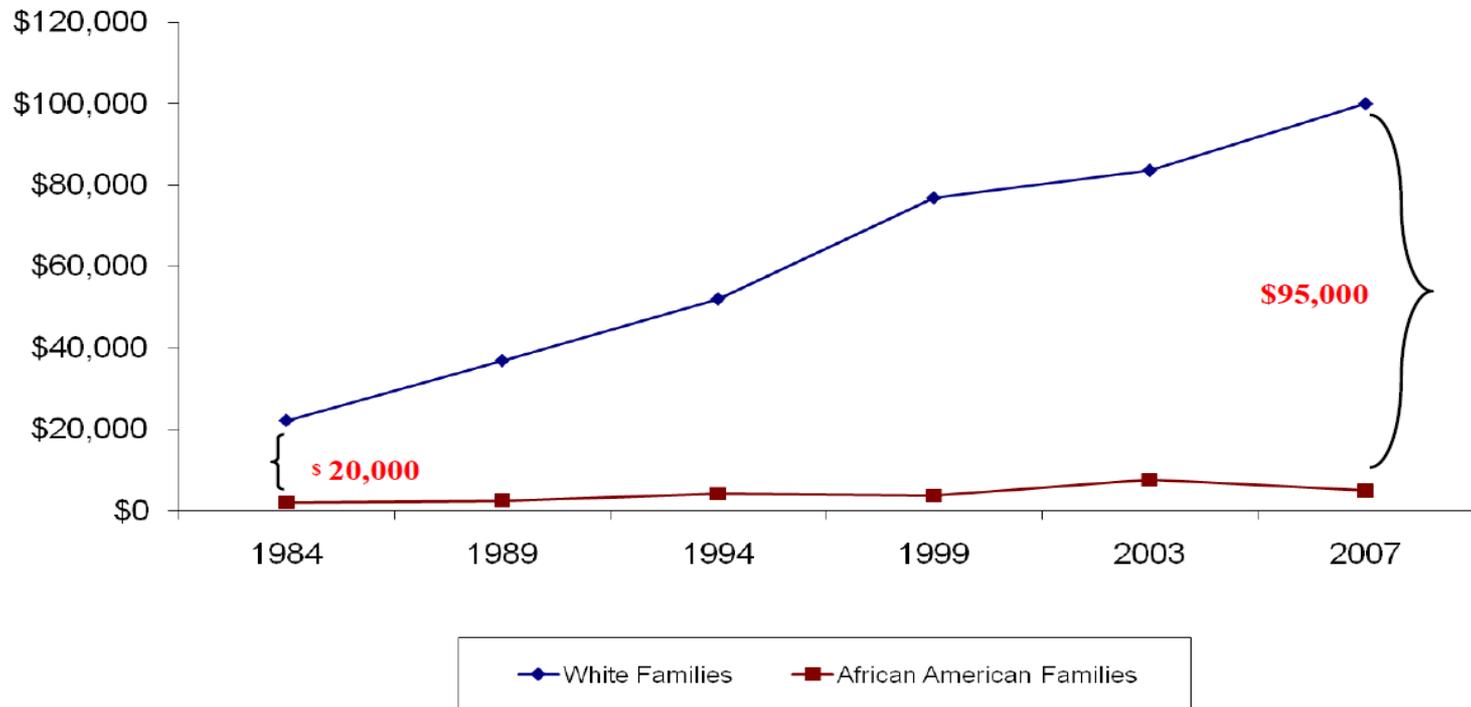


Assets Disparity in 2007



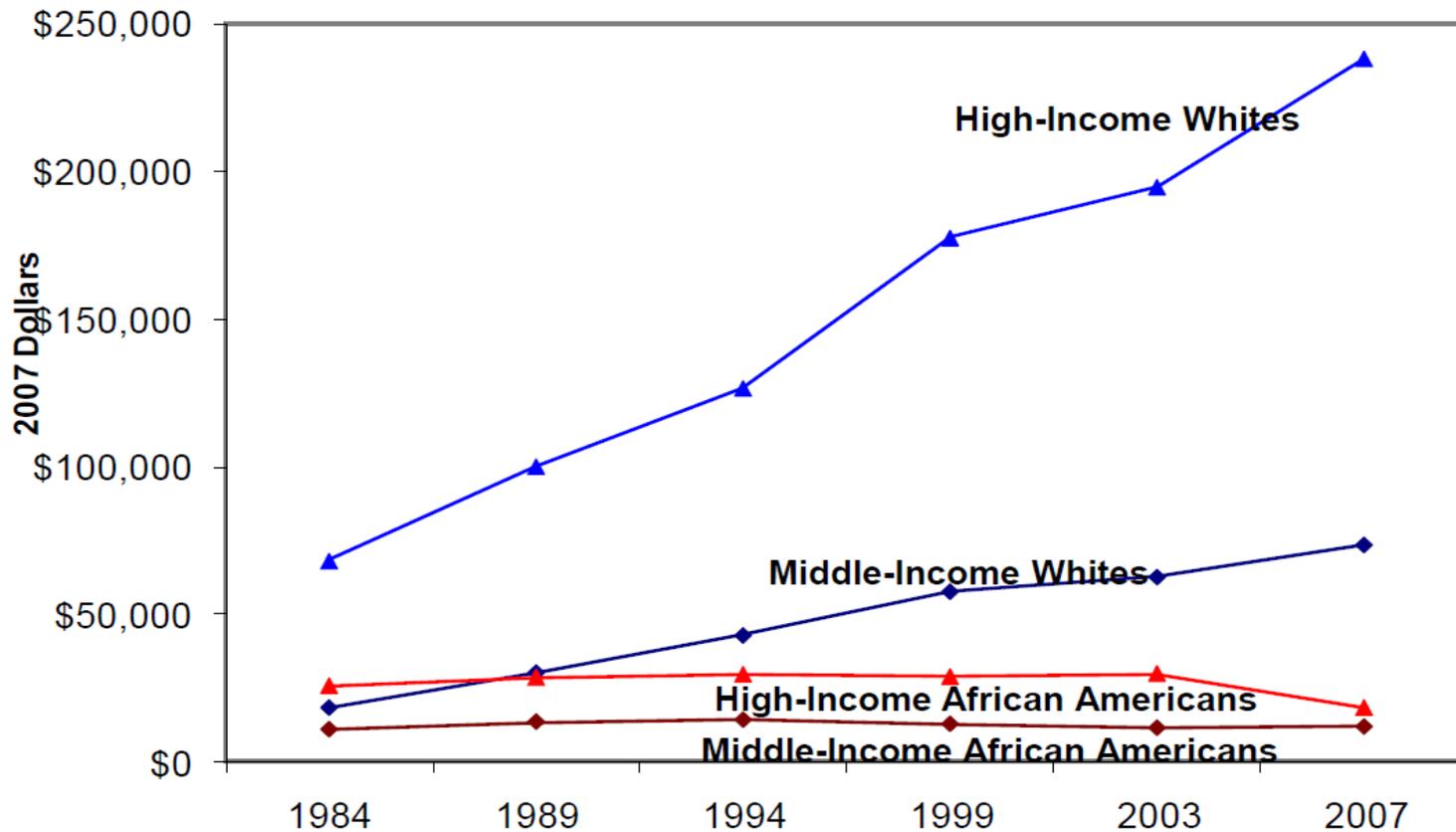
Asset-building Trends by Race (Shapiro)

**Figure 1 Median Wealth Holdings 1984-2007
(Not including home equity)**

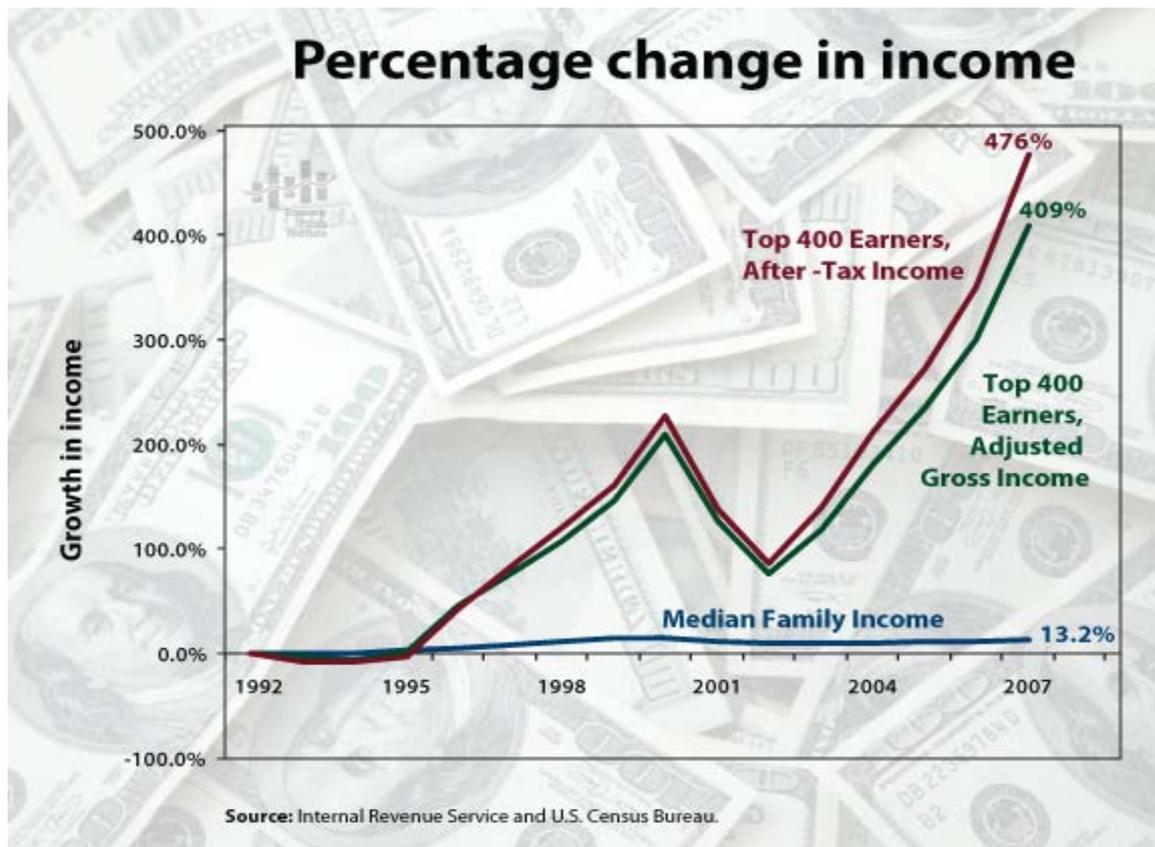


Median Wealth Holdings by Income

(not including home equity) Shapiro



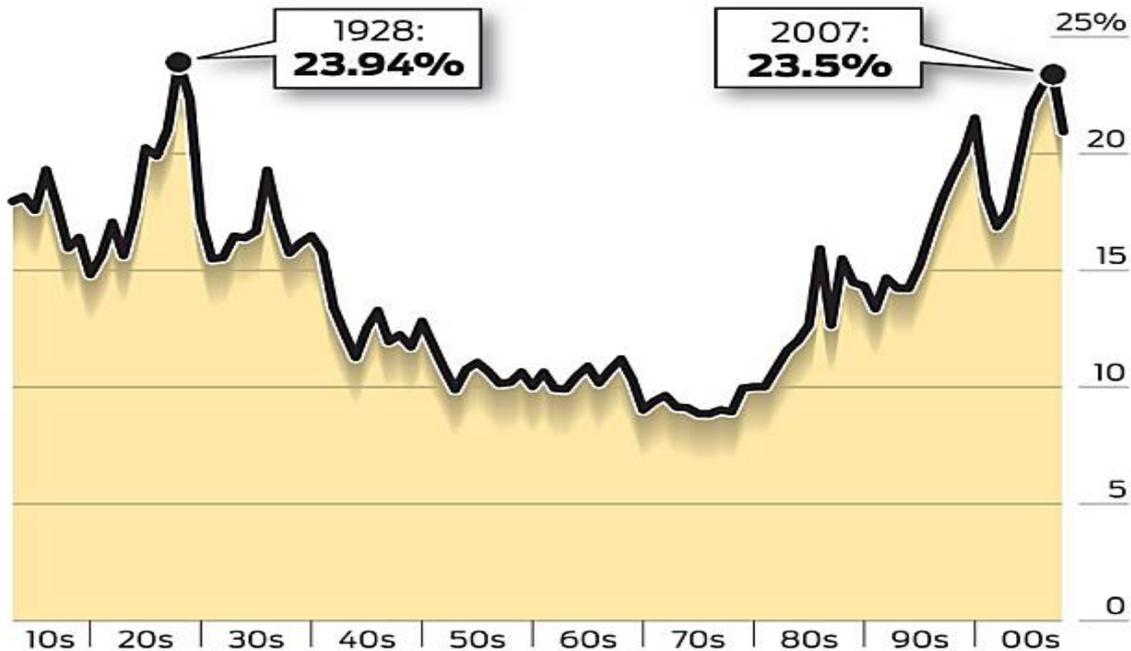
Whose Income is Not Growing?



Income Disparity Trend

Top 1% share of total income

Incomes above \$398,900 in 2007



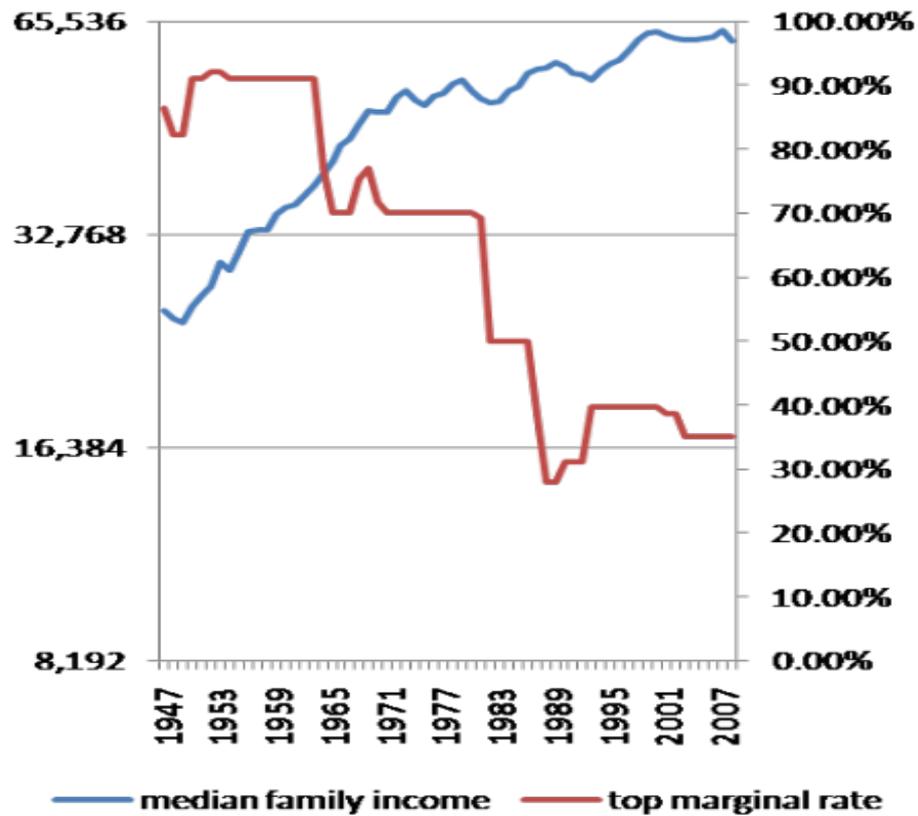
Source: Thomas Piketty and Emmanuel Saez, "The Evolution of Top Incomes, A Historical and International Perspective."

John Blanchard / The Chronicle

Meeting People Where They Are

- Financially marginalized folks know that “something is wrong with this picture”
- Low-income people have significant “Trust” issues.
- The stigma of poverty constrains perception of capability.
- Financial Education = Individual Survival Skills plus Community-wide solutions to Rebuild the Commonwealth.

Marginal Tax Rate and Median Family Income



Leveraging Behavioral Economics

Intersection of Psychology and Economics

- ❖ How people make financial decisions
- ❖ How we can make better choices
- We are not rational economic decision-makers
- People at all Income Levels are BAD at evaluating financial trade-offs

Lessons About Human Behavior

- Must Overcome Inertia
- Too Many Choices de-motivates
- The Power of Defaults
- Loss Aversion
- Time Inconsistency
- No Neutral Choices
- Identity Economics
- Mental Accounting
- Following the Crowd
- Games are Fun and Size Matters

Implications for Program Design

- Use Commitment Devices
- Streamline the choices
- Make the best choice the default and present it as the Norm
- “Anchor” with suggestions
- Appeal to the higher self
- Small group work
- Rewards and Raffles

Task-based Learning

- People learn best by doing or trying to solve an immediate problem they face.
- Teaching financial management concepts based on product usage.
- Developing consumer savvy:
 - How to recognize and avoid predatory financial products and services
 - De-constructing marketing messages
 - Busting the money myths

Effective Delivery Channels

- Work through trusted community-based organizations
- Look for a captive audience
- Make it relationship-based
 - ❖ Fulfill a need with every touch
- Meet Social needs
- Use participation incentives

CFR's Program Approach

- Detailed product and process training for Staff
 - ❖ Beneficial products for constituents
 - ❖ Implementing and Operationalizing the program
- Consumer Education tools to move clients toward asset building behaviors within a context of civic engagement
- Ongoing technical support
- Collaborative Learning Process with other organizations to exchange techniques and data to support structured evaluations