

Award-winning Educator: Financial Planning Is Essential for Everyone | CEHS

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Dr. Jean Lown was recently given the Distinguished Fellow Award from the Association for Financial Counseling and Planning Education (she is a founding member of the organization). In addition, she has served two terms on the AFCPE board, published four articles in its journal and made 26 presentations at its conferences, which she has encouraged and financially supported her students to attend since 1994. In 1999 she was named Educator of the Year by the organization. AFCPE has also given her awards for two of her papers.

She is a professor in the Family, Consumer, and Human Development Department within the Emma Eccles Jones College of Education and Human Service at USU. In the interview below, she explains why financial planning is essential for everyone—wealthy or not.

What you do as a financial planning educator?

My main role as an educator at USU is teaching in the Family Finance emphasis in the Family, Consumer, and Human Development Department. My goal is to provide information and give people confidence that they can do a better job at managing their finances. Managing money is not rocket science, but it has become a lot more

complicated in the 30-plus years that I've been teaching at USU.

In addition to teaching Family Finance courses, I've taught a monthly financial education seminar for the general public: Financial Planning for Women. I started this in 1997 in response to requests from women to learn more about money management and investing. The reality is that many women become divorced or widowed, and sometimes men lose jobs or don't earn enough to support a family.

Why is financial planning education important?

We **know** what people should do to manage their money, but behavioral psychologists have plenty of research to demonstrate why people often make poor decisions. Our brains are wired for immediate, not delayed, gratification. Plus, the massive advertising and marketing industry spends millions to convince us to spend and borrow today rather than save and invest for the future. Further, the financial advising and investing industry is primarily commission-based so that financial professionals have mixed priorities: serving their own self-interest by selling products that pay high commissions vs. their client's best interest. That's why there is the big debate currently about requiring more financial salespeople to adopt a "fiduciary standard" whereby they put their client's interest first.

Sound financial knowledge helps people reach their goals that involve money, to ensure individual and family financial security in a YOYO (you're on your own) economy. With less generous employee benefits, less job security, higher costs for post-secondary education, fewer government supports for low income households, longer lives, and a reluctance to save and invest for the future, there is more need than ever before for effective financial education.

Here are some reasons why:

- Compared to the growth decades of the post WWII period when jobs were plentiful and many employers offered generous employee benefits such as pensions, disability and life insurance, and health insurance, today's workers face a far more hostile employment environment. Job security is less certain, the job market is evolving rapidly, and employers are providing far fewer benefits. Even if employers offer health insurance, employees have to pay part of the premium and often have high deductibles and co-insurance.

- Defined contribution retirement plans such as 401(k)s leave it up to the employee to decide what percentage of pay to contribute, and to choose from the investment choices. Very few people are knowledgeable enough to make prudent choices. While some employers match employee contributions up to a certain limit, not all provide a match. The old rule of thumb to contribute 10 percent of gross pay to retirement has now been raised to 15 percent (which includes any employer match).
- Predatory lending has exploded with more payday lenders, check cashers, auto title lenders and “buy here pay here” used auto sales that charge extortionate rates. Subprime lending exploded in the 2000s, contributing to the Global Financial Crisis of 2007-09. Many Americans have yet to recover from the financial meltdown when they lost jobs, cashed out retirement to live on and have not gained reemployment commensurate with the pre-crash jobs. Many homeowners who managed to avoid foreclosure are still underwater on their mortgages.
- The federal minimum wage has not been increased despite increases in the cost of living, especially rental housing, so that more than half of American households are living paycheck to paycheck.
- And according to a new survey [<http://www.marketwatch.com/story/most-americans-are-one-paycheck-away-from-the-street-2015-01-07>] of 1,000 adults by personal finance website Bankrate.com, “Approximately 62 percent of Americans have no emergency savings for things such as a \$1,000 emergency room visit or a \$500 car repair.”
- Student loan borrowing is a big concern to policy makers, since the total student loan debt surpasses all types of debt except mortgage debt, totaling \$1.3 trillion dollars. A big part of the problem is for-profit institutions that charge high tuition, encourage students to max out their federal student loan potential and add on high cost private student loans. Many of these institutions promise high paying jobs to graduates but fail to deliver on their promises. But the cost of four year public colleges and universities has increased by 225% in the past 30 years. Thus, many students face their post-college lives burdened with student loan debt. Another big part of the problem is students who start college, take on loans, and fail to graduate. They owe the money but don't have the credentials to find employment sufficient to repay their loans.

How can good financial planning make a difference to everyone (even if they're not rich)?

Financial education and planning is especially important for people who are NOT rich. The less money you have, the greater the need to plan carefully and make educated financial decisions.

Why the focus on women?

Numerous academic studies and surveys over the decades show that women are at a disadvantage economically compared to men. Women live longer, have more erratic employment histories, often take time out of the work force to raise children and care for aging parents. They earn less than men, have fewer employee benefits and are less likely to have earned a pension. While men tend to be overconfident in money management and investing, women tend to be too conservative in their investing choices.

My research and community service (Financial Planning for Women) have focused on how to motivate women to take more responsibility for their financial security, especially in later life (aka retirement). One needs to start young to take advantage of the time value of money (compound interest). But, regardless of age, the best time to learn prudent financial management and start investing and saving is today. Far too many women wait until their husband dies or divorces them to wake up to the need to understand personal finances.

Financial Planning for Women has a website [www.usu.edu/fpw], blog [<http://fpwusu.blogspot.com/>]: and Facebook page [<http://www.facebook.com/FinancialPlanningforWomen>]. Men are always welcome to attend the sessions.

Since you are an AFCPE founder, can you tell me what impact the organization has had on financial planning education?

In 1983 a financial counselor, financial planner, and marriage and family therapist at BYU convened a small group of personal finance faculty to discuss the need for an organization to promote financial education and counseling. The following year a larger group met at Iowa State University to form AFCPE [www.afcpe.org]. The

organization has expanded substantially to incorporate private practitioners, military educators and counselors, and researchers. We published our first research journal in 1990 (*Financial Counseling and Planning*, now called the *Journal of Financial Counseling and Planning*). Today, AFCPE is the premier professional organization dedicated to educating, training and certifying financial counselors and educators.