Take Charge America Institute for Consumer Financial Education & Research

Consumer Link

THE UNIVERSITY OF ARIZONA
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INSTITUTE REPORT FALL 2005

From the Director

by Jing Xiao

The Take Charge America Institute for Consumer Financial Education and Research (TCAI) at the University of Arizona is working to improve consumer financial well-being through research and outreach programs. I would like to introduce you to several exciting research and outreach programs that will happen this coming year.

The newly formed **TCAI Research Advisory Council** will have its first meeting in September 2005. The council members are nationwide experts in consumer finance and behavior, who will provide TCAI the needed guidance to conduct cutting-edge research projects in the area of consumer financial education and behavior. We will launch a nationwide doctoral dissertation proposal competition in consumer finance and encourage research in the area of consumer finance. We are conducting and planning research on topics including marketing and evaluation of financial education, trends in consumer finance, consumer behavior change in financial services, health and financial issues, and financial issues in diverse populations. We are planning a longitudinal research project among college students regarding their financial socialization, behavior changes, identify development, and life successes.

TCAI also seeks to contribute to the field of consumer finance through publishing. We plan to organize a financial case study textbook that will be a unique supplemental text for popular personal finance courses on many campuses. We will publish two special issues on consumer finance in the *Journal of Family and Economic Issues* in 2006 and 2007, which will include high quality research papers on consumer finance and be distributed through university and other libraries worldwide.

We have several exciting outreach programs going on. In this newsletter you can learn more about our **2006 Duel in the Desert** and the **Credit-Wise Cats**. Read the article to learn how this exciting program will improve the diet, health and financial security of participants. In addition, as a partner with TCAI, the **UA Extension** money management programs, will launch a new program entitled “Small Steps for Health and Wealth” headed by Linda Block.

We are looking for partners and volunteers who are willing to work with us to help improve consumer financial well-being. If you are interested, please contact me 520.621.5948 or via email: xiao@email.arizona.edu. I look forward to hearing from you.

Meet The Research Advisory Council

Dr. John Grable, CFP®, RFC

Dr. John Grable, CFP®, RFC received his undergraduate degree in economics and business from the University of Nevada, an MBA from Clarkson University, and a Ph.D. from Virginia Tech. He is the Certified Financial Planner™ Board of Standards Inc. and International Association of Registered Financial Consultants registered undergraduate and graduate program director at Kansas State University. Dr. Grable also serves as the director of The Institute of Personal Financial Planning at K-State.

Dr. George Haynes

George Haynes is an associate professor specializing in consumer economics in the Department of HHD at Montana State University. He teaches individual income taxation, research methods, program evaluation and small business management courses for the department. Dr. Haynes’ research is focused preventable health behaviors (such as alcohol and drug addiction, fetal alcohol effect/syndrome and obesity) and family and business finance issues. He serves as a member of the Board of Directors for the American Council on Consumer Interests, conducts public policy research for the U.S. Small Business Administration and assists local organizations with program evaluations.

Dr. Jeanne Hogarth

Jeanne Hogarth, Ph.D. is the Project Manager for the Consumer Education and Research Section of the Division of Consumer and Community Affairs at the Federal Reserve Board. She is the author of numerous scholarly research articles as well as consumer education resources on financial management. She is an active member of the American Council on Consumer Interests and the Association for Financial Counseling and Planning Education and she volunteers in the IRS’s Volunteer Income Tax Assistance program. Jeanne received a BS in education from Bowling Green State University and an MS and Ph.D. in family and consumer economics from The Ohio State University.

Dr. Angela Lyons

Assistant Professor, University of Illinois at Urbana, Dr. Angela Lyons received her Ph.D. in economics from the University of Texas at Austin. Her research focuses on issues related to family finance, household economics, and financial education. Her current research examines issues related to household liquidity and credit access, health and financial strain, delinquency and bankruptcy, gender and marital differences in household investment decisions, and the credit usage and financial education needs of college students.

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Research Advisory Council
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Dr. Lew Mandell

Dr. Lew Mandell is a professor at University at Buffalo School of Management in Buffalo, New York. He is the author of 20 books relating to the finances of consumers, his latest being "Financial Literacy: Are We Improving?" published in late 2004. Currently, he is a member of the Standing Committee for the new national examination in Economics, which will first be administered by the Department of Education in 2006 as part of "No Child Left Behind." Dr. Mandell earned a master's degree from Northwestern University and a doctorate from the University of Texas.

Dr. Soyeon Shim

Dr. Soyeon Shim, Director of the John and Doris Norton School Family and Consumer Sciences, provides leadership regarding all aspects of the School, including undergraduate and graduate programs, research, and extension. Dr. Shim is the author or co-author of 87 scholarly refereed journal articles and books and special publications. She received a Bachelor's and Master's degree from Yonsei University, Seoul, Korea, and a doctoral degree from the University of Tennessee, Knoxville.

Dr. Michael Staten

As Director of the Credit Research Center since 1990, Dr. Michael Staten has designed and conducted projects on a wide range of policy-oriented issues involving consumer credit markets. He has published numerous articles on retail financial services in various professional journals, and has frequently presented expert testimony on credit and insurance issues before committees of the U.S. House and Senate and various state legislatures. Dr. Staten received a Ph.D. in economics from Purdue University in 1980.

Research

Financial Well-Being: Descriptors and Pathways

by Abha Rao and **Bonnie Barber, Ph.D.**

The goals of the study were to predict the socio-demographic characteristics of individuals with differing levels of financial well-being, and to identify longitudinal predictors of financial well-being from adolescence to young adulthood. Financial well-being was assessed as a combination of outcomes such as credit card debt, difficulty paying bills, engaging in money saving measures, and perceived ability to manage money and credit cards.

Education and household income, but not gender, relationship status and residential status, were associated with presence of credit card debt. Being male, married, home owners, having a higher household income and a higher education, were all associated with having less difficulty in paying bills, and engaging in fewer desperate money saving measures. The latter three characteristics were also associated with better perceived ability to manage money and credit cards. Men considered themselves better at managing credit cards, while married individuals considered themselves better at managing money.

Reception of an allowance, presence of part-time job, and hours of work in adolescence were not significantly related to financial well-being in young adulthood.

Best Friend or Worst Enemy: Debt Consumption of College Students

by Jianfeng (Jeff) Wang and **Melanie Wallendorf**

In this research project, we explored the consumer debts of college students by means of a survey study and a qualitative study. The goal of the survey study was to discover what factors affect college students' credit card debt accrual. We found that compulsive buying and budget constraints affected whether students carried credit card balances or not. After focusing on students with credit card debts, we found that the family resources which were provided to students during their childhood were the only factors that influenced the students' degree of credit card indebtedness. The aim of the in-depth interviews was to make connections between consumer debts and various aspects of the students' social lives. We intended to understand how students utilize debts to complete their life projects. We found that students employ debt as a leveraging tool to balance both obligations and freedoms in their social relationships. Young debtors interpret and negotiate meanings of debt in line with their socially constructed environments and also the relationships in their networks. Echoing findings from our survey study, we discuss several ways that family support influences students' debt behavior.

Credit-Wise Cats 2005 Pilot Evaluation

by Lynne Borden

A pilot evaluation of the Credit Wise Cats "Roadmap to Financial Success" workshops suggests that the program is influencing students' attitudes, knowledge, and intentions toward greater financial responsibility. Analyses on data from 93 college students assessed financial attitudes, knowledge, and intentions regarding effective and risky financial behaviors. Changes from pre- to post-test suggest that, on average, students intended to increase their financial assets in the coming year (specifically, savings accounts, CDs, 401(k)s and IRAs). Additionally, student reports indicated increases in Responsible Attitudes Towards Credit (Ms.=1.33 vs. 1.68) and decreases in Avoidant Attitudes Towards Credit (Ms.=.46 vs. .18) from pre-test to post-test. Finally, at post-test, students reported intending to engage in significantly more Effective Financial Behaviors (Ms.=2.67 vs. 5.67) and fewer Risky Financial Behaviors (Ms.=.55 vs. .32) than they reported at pre-test. A longitudinal evaluation of the CWC programs will allow evaluators to assess the extent to which intentions are translated into behavior as well as to identify what groups are best served by existing programming.

Duel In The Desert 2005, A Huge Success!

by Marcia Klipsch
Regional and National Duel in the Desert Coordinator

The Duel in the Desert is a personal finance case study competition sponsored by Take Charge America (TCA), a non-profit debt management company in Phoenix, Arizona. This event has grown to 55 participating universities over the past three years, offering over 500 students the opportunity to learn, in depth, the financial pressures facing families in this country.

To qualify for the Duel in the Desert, nine SIFE teams from universities around the country were chosen to host regional personal finance case study competitions. The regional "Duel" hosts were Boston College, the College of William and Mary, Colorado State University, Drury University, Marshall University, Metro State University, Purdue University, Texas A&M, and the University of South Carolina. The Credit-Wise Cats, a project of the University of Arizona SIFE team, provided the hosting schools with the framework, all the guidelines, and a unique and regionally specific case study, complete with potential judging solutions. Thanks to TCA's sponsorship, eighty-one thousand dollars was awarded in prizes!

From March 10-13, 2005 the nine regional winners and their host schools came to the University of Arizona to participate in the National Duel in the Desert. This event opened with a keynote address by Money Magazine editor Jean Chatzsky. After receiving the case, the teams had 36 hours in which to research, comb the Internet, and interview community experts in an effort to solve the problems facing the case study family. A panel of 35 expert judges selected The College of William and Mary as the winner, followed by Metro State and UiTM, Malaysia. Participating students felt they improved their knowledge of personal finance and said they would change their own approach to budgeting as a result of our case study competition.

We are looking forward to the **2006 Duel in the Desert, March 2-5, 2006 in Tucson.** This year, twelve regional hosts will be selected and awarded grants of up to $20,000 to qualify teams for the national competition. Proposal guidelines can be found on the website at: http://duelinthedesert.net. Deadline for submission is September 15, 2005.

UA's Credit-Wise Cats reach out to counsel students on money management.

The Credit-Wise Cats Reach Out to Their Peers

by Marcia Klipsch
Credit Wise-Cats Advisor

Over the past five years, the **UA Credit-Wise Cats** have evolved into a highly respected team of Students In Free Enterprise (SIFE) students who teach personal financial management and coordinate the Duel in the Desert personal finance case study competition.

These 10 student counselors have spent 3525 hours leading 77 workshops for student groups, dorms, high schools, and community groups by teaching concepts like budgeting, investing, credit, saving, and insurance, reaching over 1200 people so far this year. Each week, student advisors also fill requests for one-on-one counseling from their peers seeking money management assistance.

To measure their effectiveness, the Credit-Wise Cats worked with a university researcher to develop and administer a survey that tracked demographic information and that probed participants' spending habits, before, and after their presentations, and then 60 days later. On pre-tests, only one-third of the students understood the consequence of a high APR and late payments, and many couldn't understand how many credit cards they should have. The majority of participants had 1 to 3 credit cards with credit lines greater than $1000. On post-workshop surveys, students said they planned to open savings accounts and invest in equities. A majority said that they better understood the need to limit their credit card use for emergencies or building their credit, while many said that they would have their credit line reduced, so they wouldn't be so tempted to spend. Ninety percent said they would recommend Credit-Wise Cats workshops to their friends. Overall, pre- and post-tests showed a 48% increase in knowledge, which illustrates the effectiveness and impact of this project.

The Credit-Wise Cats Web site is also an excellent resource for other schools and organizations. This site is filled with educational resource links, including downloadable PowerPoint presentations—in English and Spanish—on topics such as Managing Credit, Investing, Avoiding Bankruptcy, and the Roadmap to Financial Success. This site (www.ag.arizona.edu/fcs/clubs/cwc) has in-depth information about the nationally recognized Duel in the Desert personal finance case study competition.

Small Steps to Health and Wealth

by Linda Block
Associate Agent, Pima County Cooperative Extension

Many Americans today have health and personal finance issues. Societal problems that have been widely reported include an increasing incidence of diabetes, more overweight and obese adults and children, low household savings rates, and high household debt. Two important objectives of Cooperative Extension consumer education programs are improving the diet/health and financial security of program participants. These two objectives are usually addressed separately but, in this innovative new program, will be addressed as one topic, since there are many parallels between habits that affect good health and those that foster financial success.

Small Steps to Health and Wealth (SSHW) is a new curriculum developed by Dr. Barbara O'Neill and Dr. Karen Ensle at Rutgers Cooperative Research and Extension in New Jersey. The new program is designed to teach participants 25 behavior change strategies that can be simultaneously applied to improve health and increase wealth and track their progress over time. Dr. Barbara O'Neill was invited to present her research and program development of this topic at the College of Agriculture and Life Sciences Annual Conference, August 23-25. Dr. O'Neill presented the research addressing Small Steps to Health and Wealth at a pre-conference on August 23rd, and a second presentation was given in the afternoon of the conference on program implementation and integration with other programming. The new program has the potential to change thousands of lives for the better and to aggregate participant impact data to demonstrate a high cost-benefit return.

Arizona Saves and Financial Security in Later Life are additional programs that will be incorporated into the curricula for SSHW. Arizona Saves encourages individuals to establish goals to increase savings and to reduce debt. Financial Security in Later Life is a national CSREES initiative to assist educators and consumers to plan for a long and vital life, to act now, to evaluate changes needed and to achieve financial security for individuals and families. Jing Jian Xiao, Professor and Director of TCAI, will collaborate with Dr. O'Neill to develop web-based impact evaluation research that will study participant progress and health-wealth relationships.

Education

Personal Finance Case Study Textbook

by Emmanuel Morales Camargo

The TCA Institute will soon publish all the cases used so far in the regional and national Duel in the Dessert competitions into a personal finance case-study book. The goal is for the book to be marketed nation-wide with universities and professional organizations as a complementary textbook to their traditional personal finance curricula, or as a stand-alone book in an applied personal finance course.

Duel cases have not only distinguished themselves by the richness, realism, and variety of the scenarios they depict, but also by their ability to merge the technical aspects of personal finance with the human, social, and ethical dimensions of major and everyday-life events. Since there is currently no textbook with cases gathering all these qualities, UA Press executives think the book will fill an important gap in the printed press and are very enthusiastic about its prospects in the market.

Money, Consumers, and The Family: A Course for Life

by Emmanuel Morales Camargo

The TCA Institute is entering its second year of offering Money, Consumers, and the Family, a general education course introducing freshmen and sophomores to the important topics of personal finance. In light of the alarming trends in student credit card abuse and nationwide personal bankruptcy filings, the course was designed to equip students with the financial tools and knowledge that would enable them to make sensible financial decisions during the school years, as well as throughout the rest of their life. How to cope with the financial burdens of earning a college degree, the benefits of getting a head-start on retirement savings, the advantages of employer-matched and tax-shielded retirement plans, as well as the importance of risk management in protecting the family from disaster, are some of the valuable topics covered in the course.

The class has been offered during the fall and spring semesters in traditional form, as well as during the summer in a distance-learning format. Although this is only one of the many channels through which the institute hopes to meet its educational goals, the impact of this course can already be appreciated in the positive feedback from the student population and the high demand for the course, which has led to plans to also make it available during winter sessions. Without a doubt, Money, Consumers, and the Family will become a staple in the U of A's General Education curriculum for years to come.

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2005-2006 Credit-Wise Cats

Georgina Apresa *Accounting*
Kara Karlson *Journalism*
Adam Krauseneck *Molecular/Cellular Biology*
Ty Kucera *Pre-business/Finance*
Viet Mai *Management Information Systems*
Alma Peralta *Economics*
Jorge Perez *Economics*
Dennis Razon *Retailing and Consumer Sciences*