

# Financial Capabilities of Service Providers in Washington State

Empowering Frontline Staff Through Financial Education  
WABC Building Assets, Strengthening Communities Conference  
Yakima, WA, June 2011

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Research commissioned by  
Burst for Prosperity

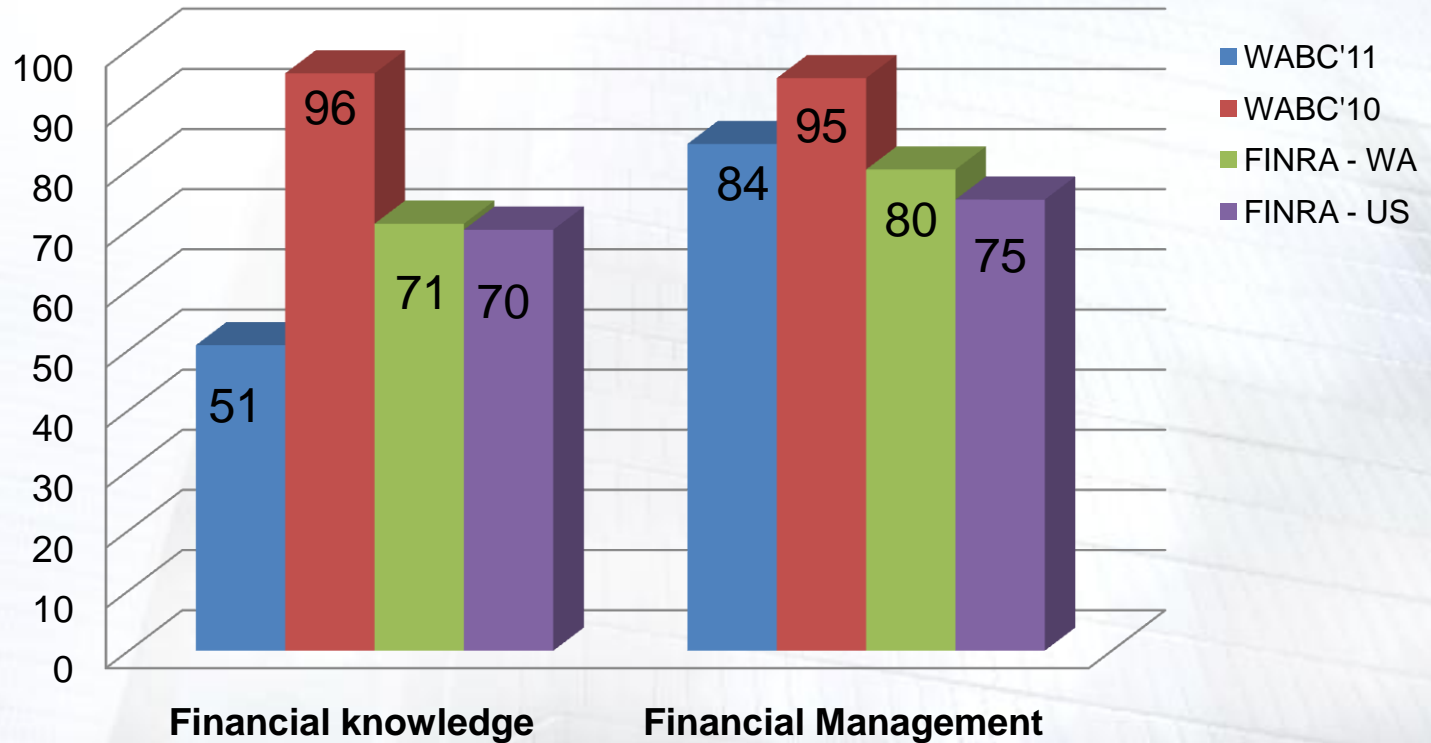


# What is Financial Capability?

- Ability and opportunity to act on financial matters (Margaret Sherraden, 2010)
  - Behaviors relating to how financial decisions are made and resources managed (FINRA, 2009)
  - As much about what you do as well as what you know (Sledge, Tescher & Gordon, 2010)
- In other words, it is about financial knowledge and behaviors, as well as accessing and engaging with the financial markets and its products

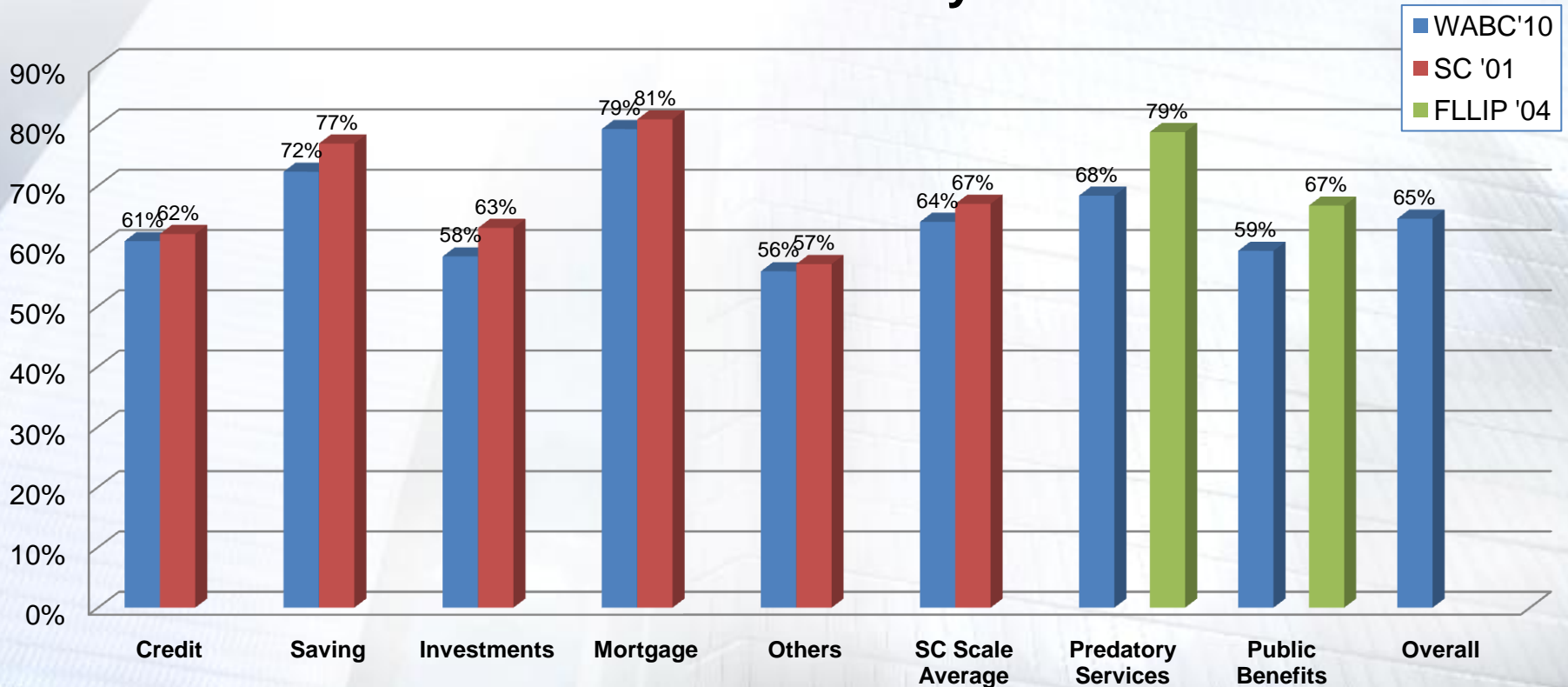
# Self-Assessment of Financial Capability

- Percent of respondents with positive self-assessments



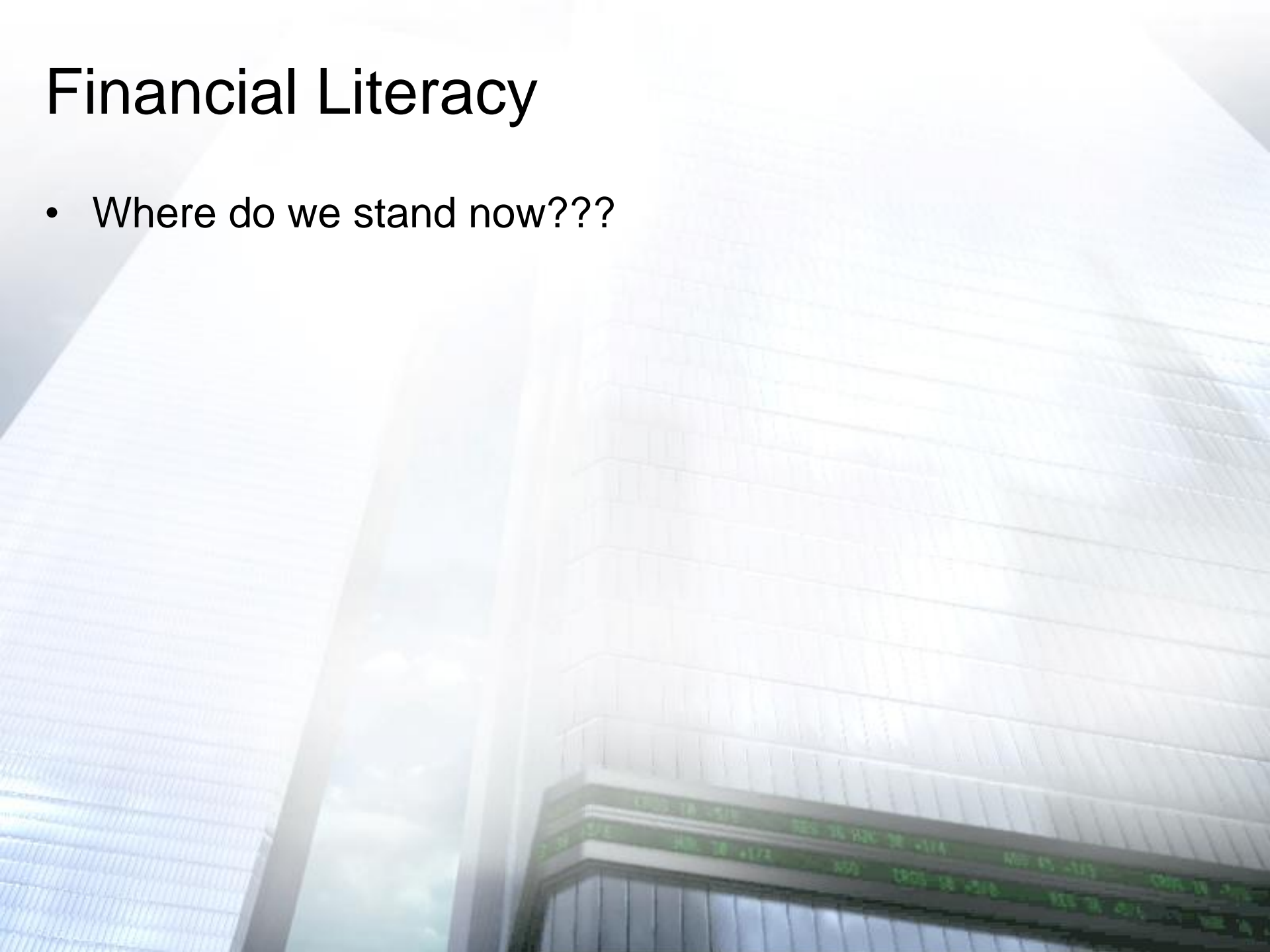
# Financial Literacy... a year ago

## Percent of items correctly answered



# Financial Literacy

- Where do we stand now???



# A little quiz – Q1

Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

- a) More than \$102
- b) Exactly \$102
- c) Less than \$102
- d) Don't know

# A little quiz – Q1

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- a) **More than \$102**
- b) Exactly \$102
- c) Less than \$102
- d) Don't know

# A little quiz – Q2

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

- a) More than today
- b) Exactly the same
- c) Less than today
- d) Don't know

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# A little quiz – Q3

If interest rates rise, what will typically happen to bond prices?

- a) They will rise
- b) They will fall
- c) They will stay the same
- d) There is no relationship between bond prices and the interest rate
- e) Don't know

# A little quiz – Q3

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- a) They will rise
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# A little quiz – Q4

A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.

- A) True
- B) False

# A little quiz – Q4

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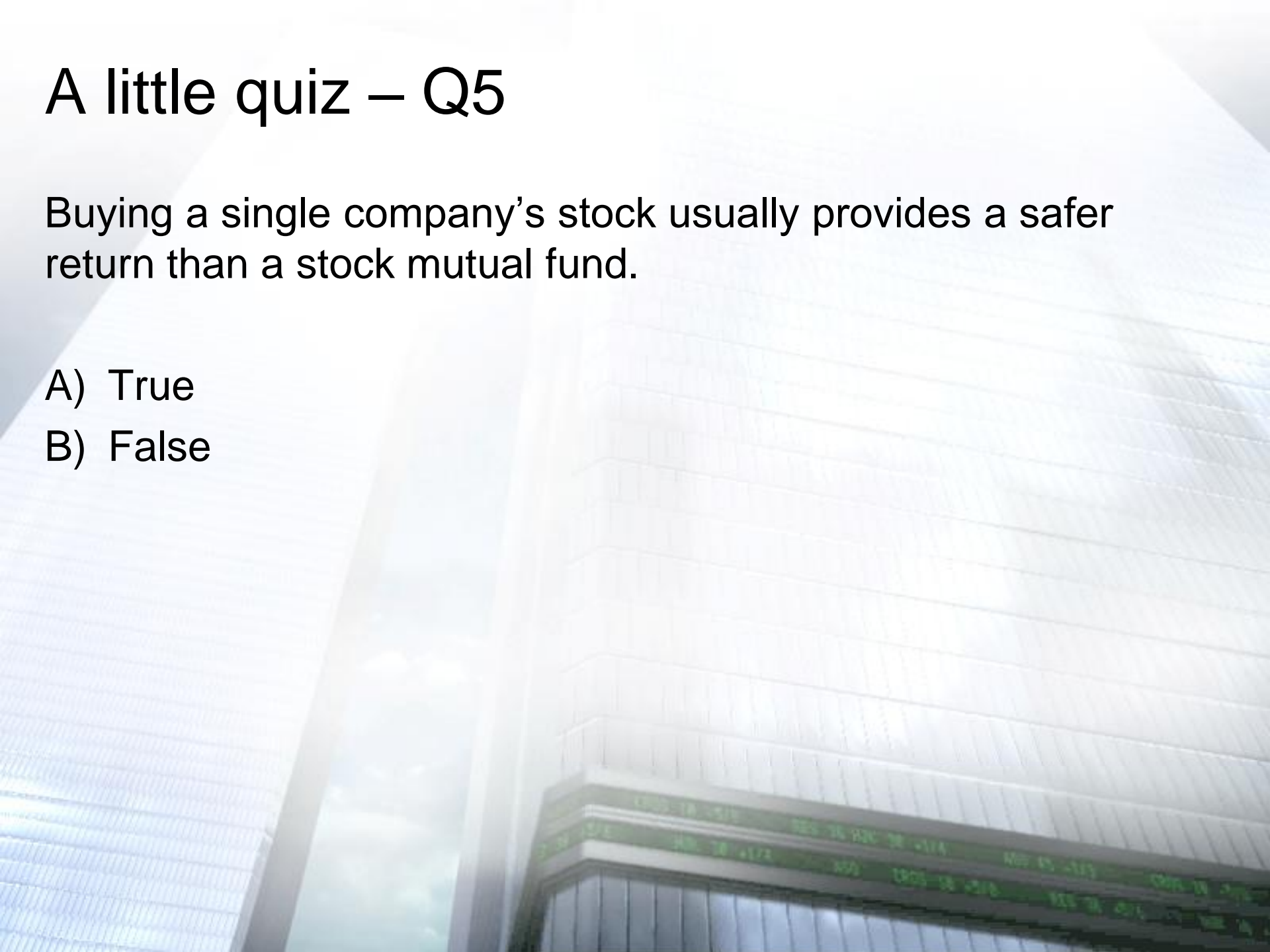
**A) True**

B) False

# A little quiz – Q5

Buying a single company's stock usually provides a safer return than a stock mutual fund.

- A) True
- B) False



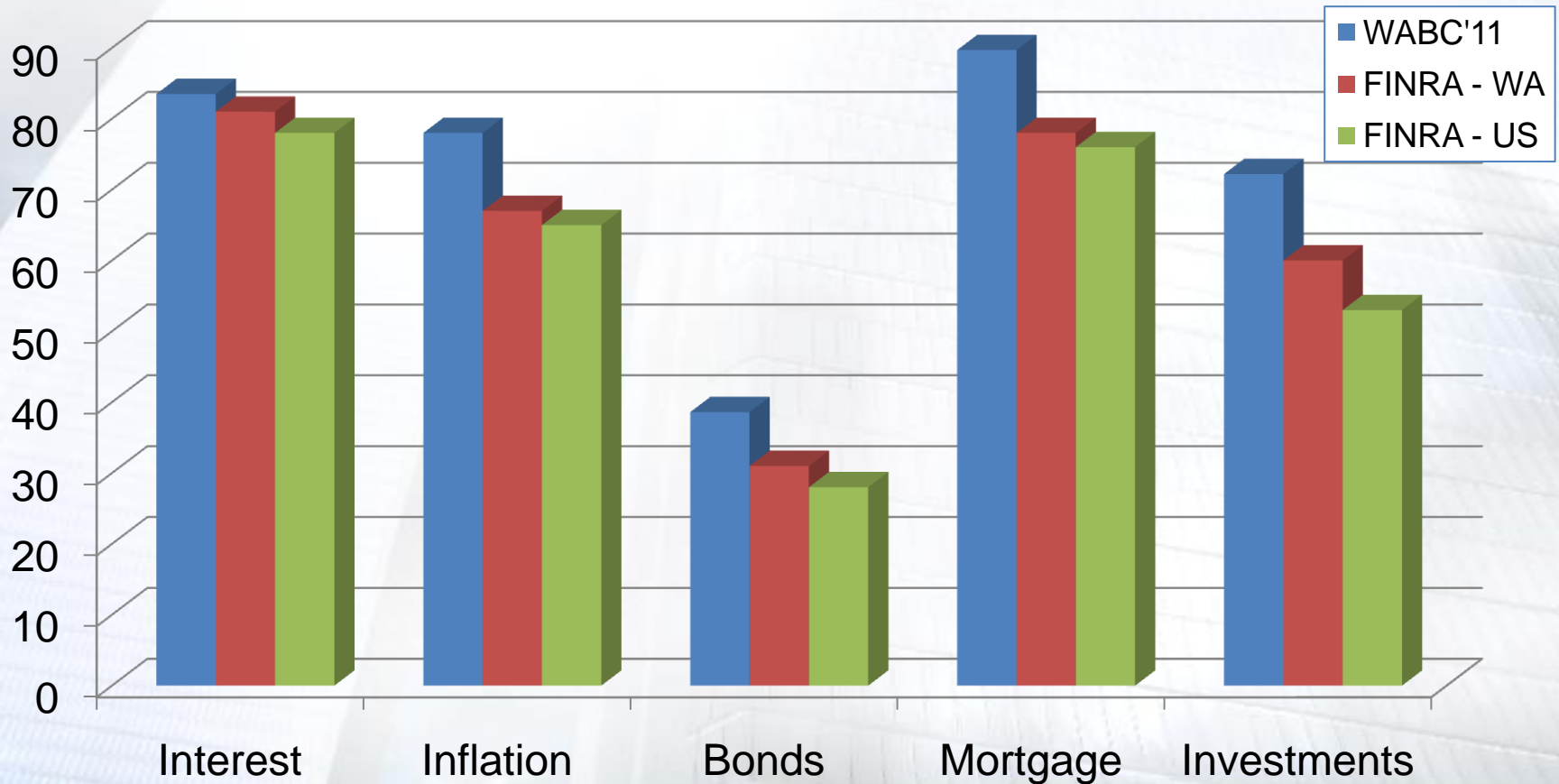
# A little quiz – Q5

Buying a single company's stock usually provides a safer return than a stock mutual fund.

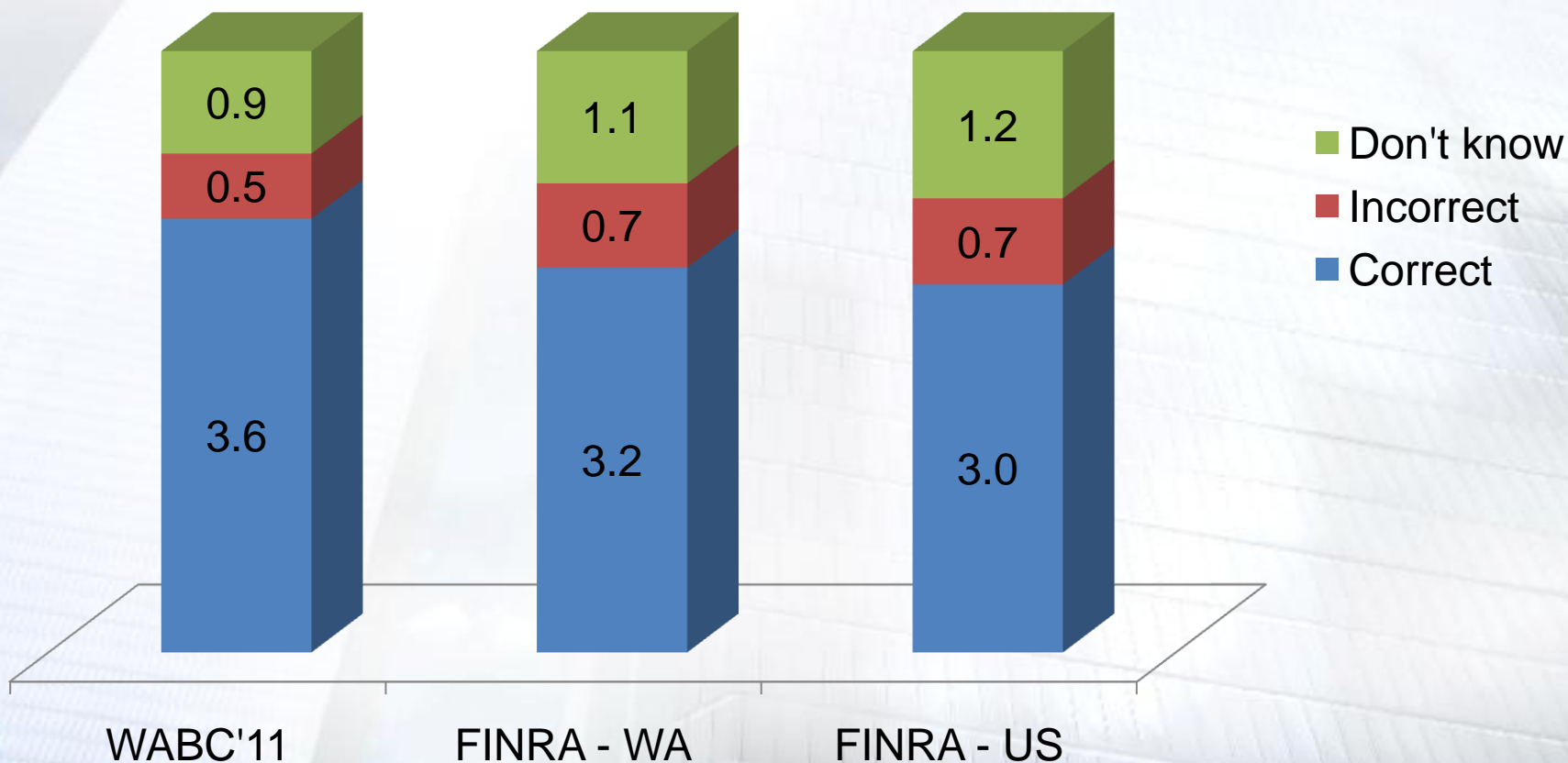
A) True

**B) False**

# How do we compare?

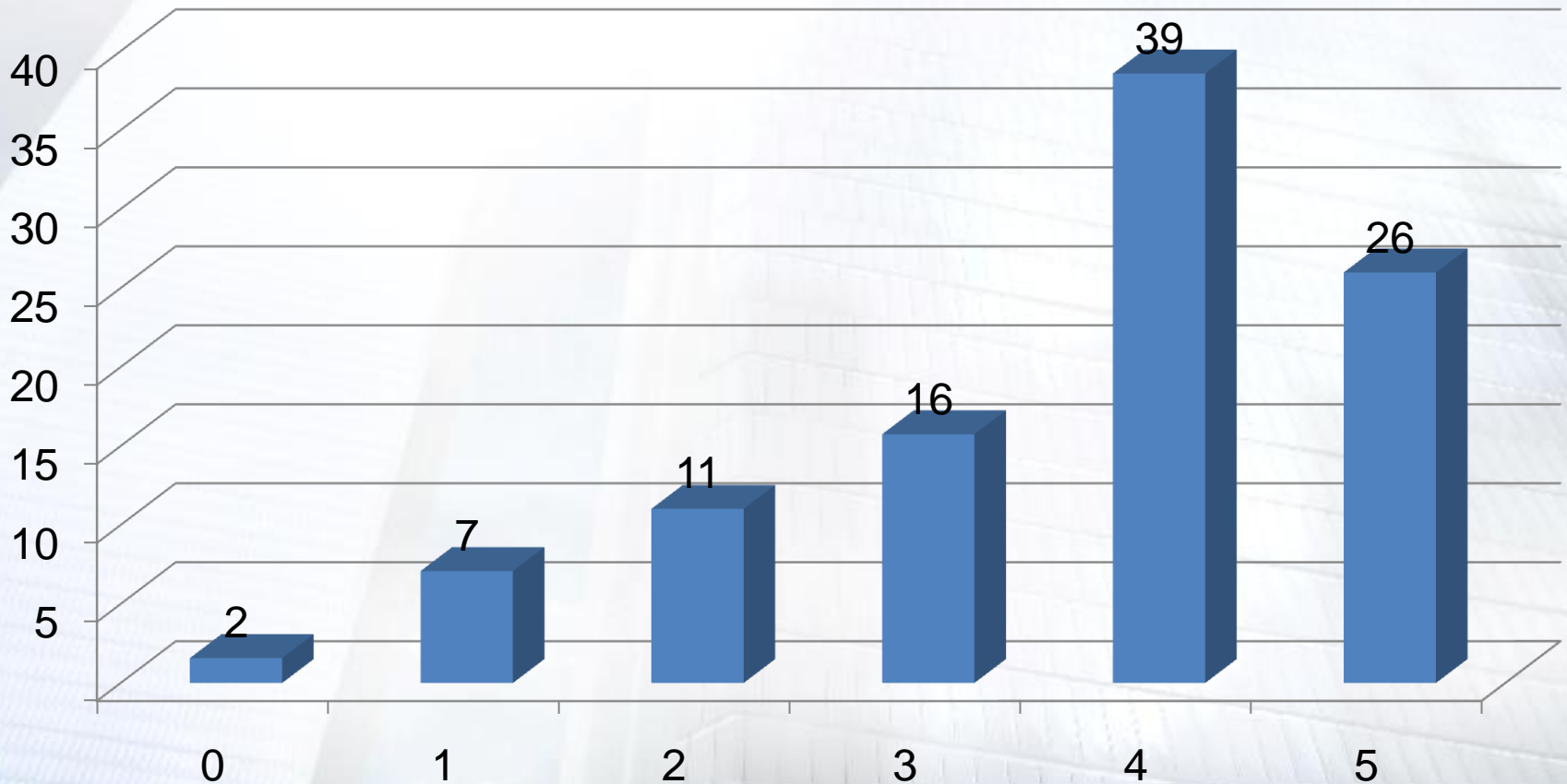


On average, of the 5 questions, we answered...

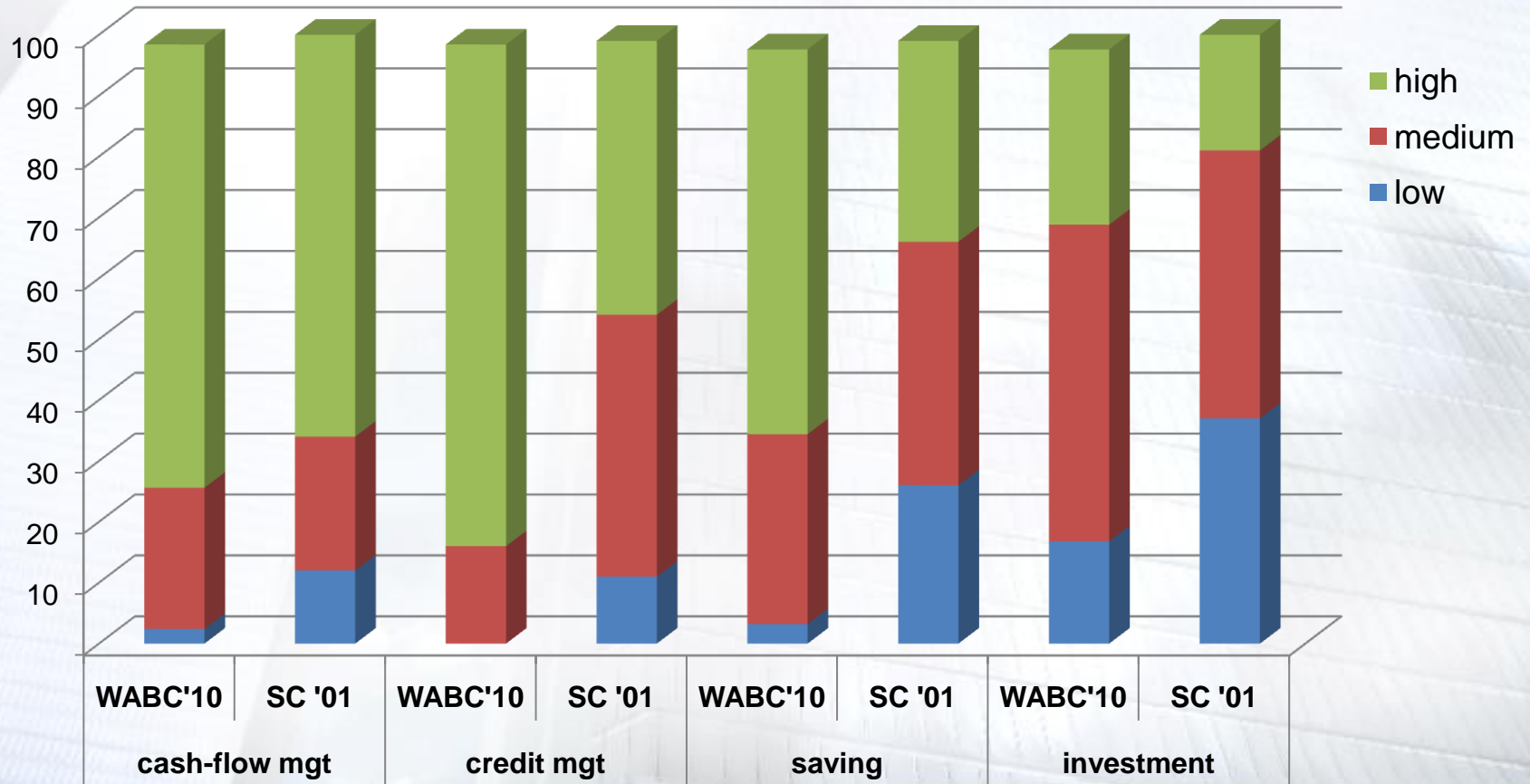


But...

36% answered 3 or fewer questions correctly

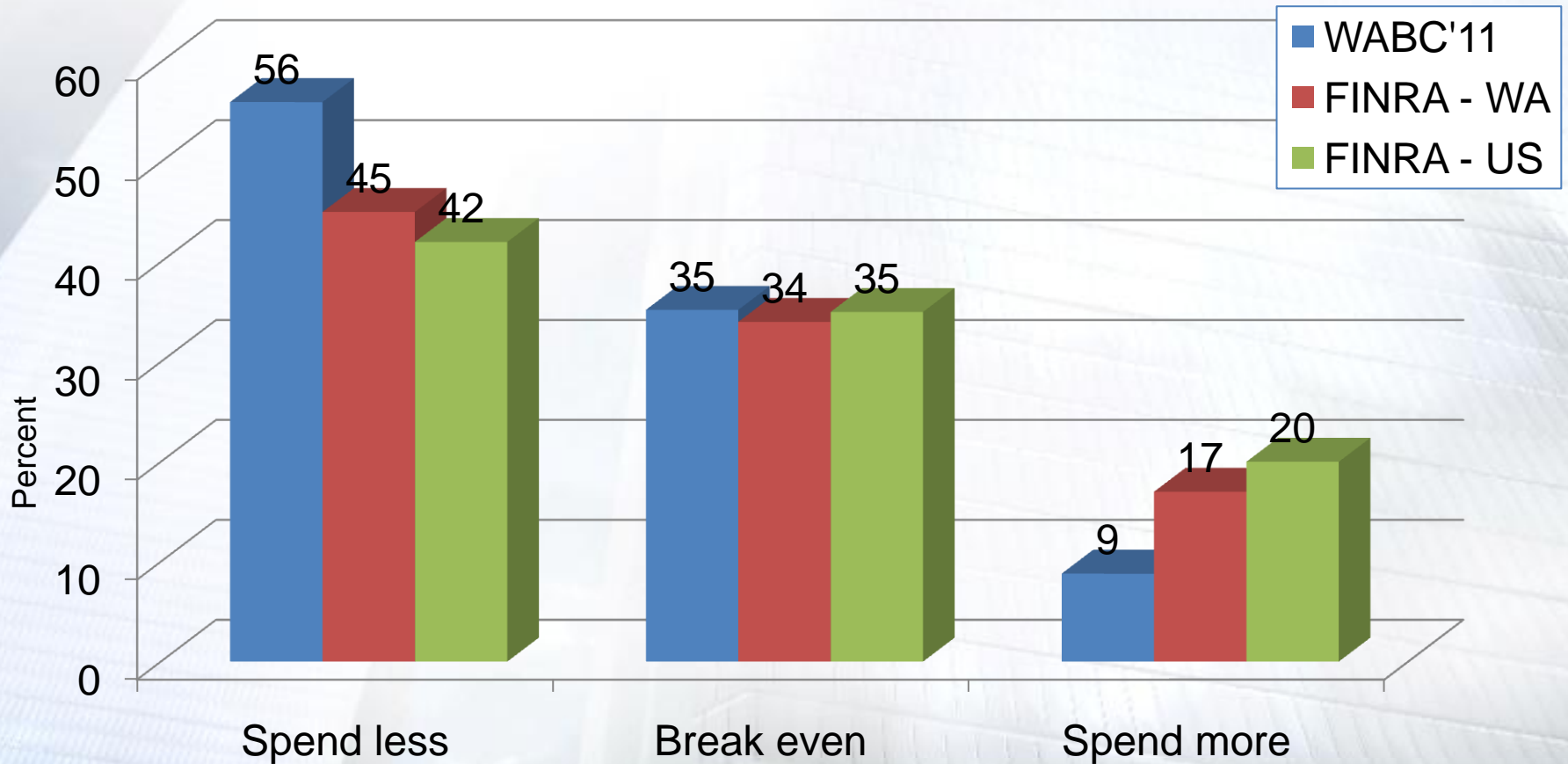


# Financial Practices Index

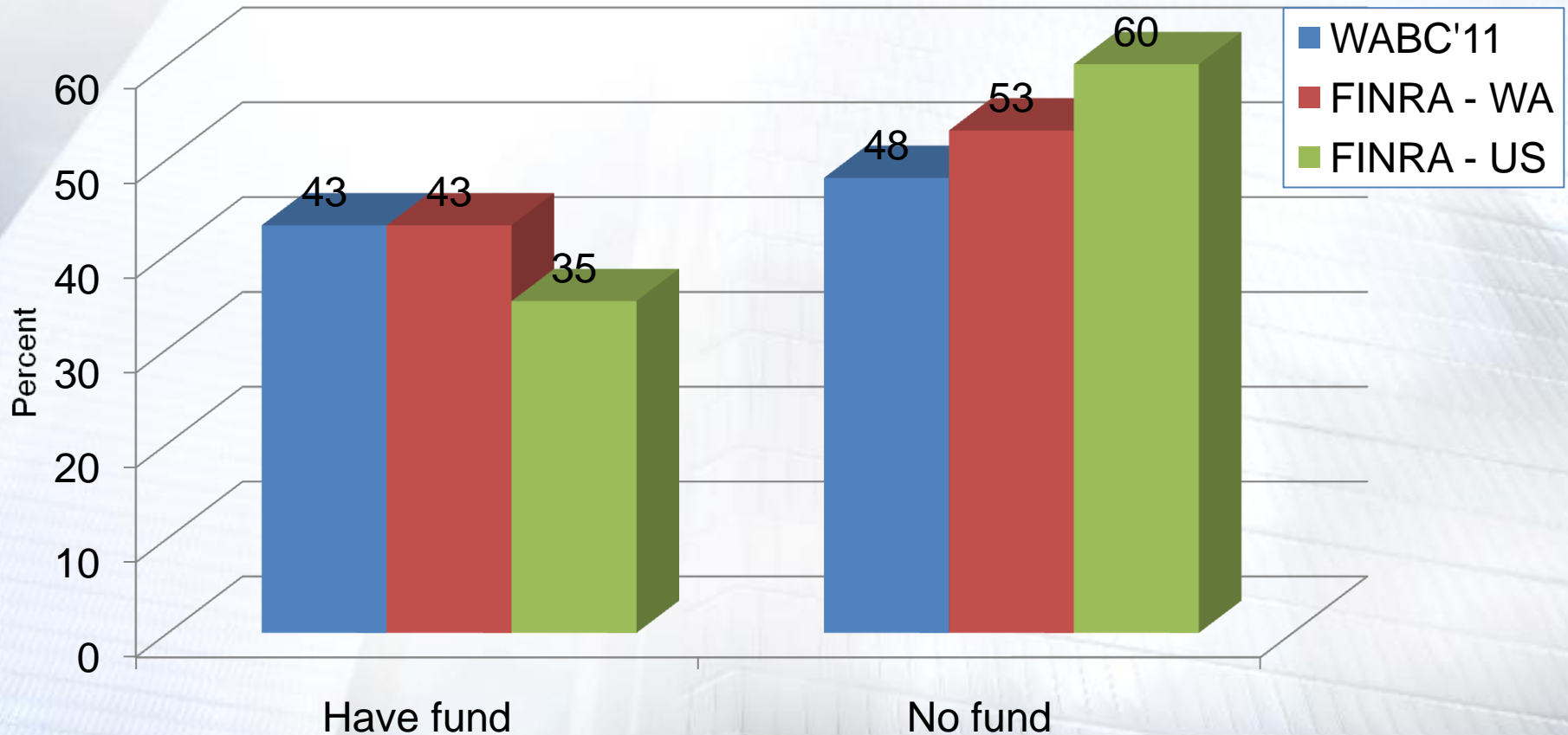


\* Significantly different from the general population across all indices at the  $p < .001$  level

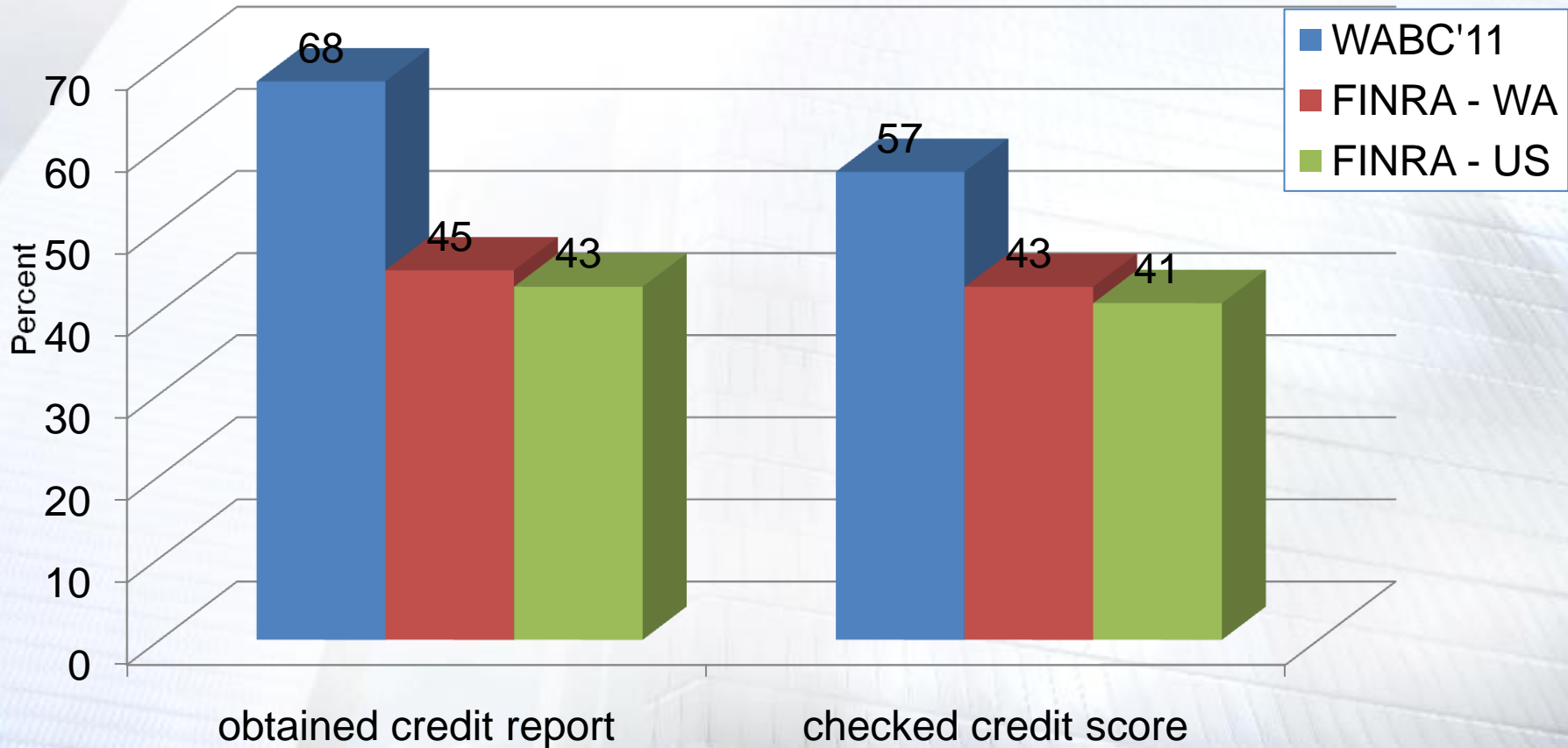
# Making ends meet



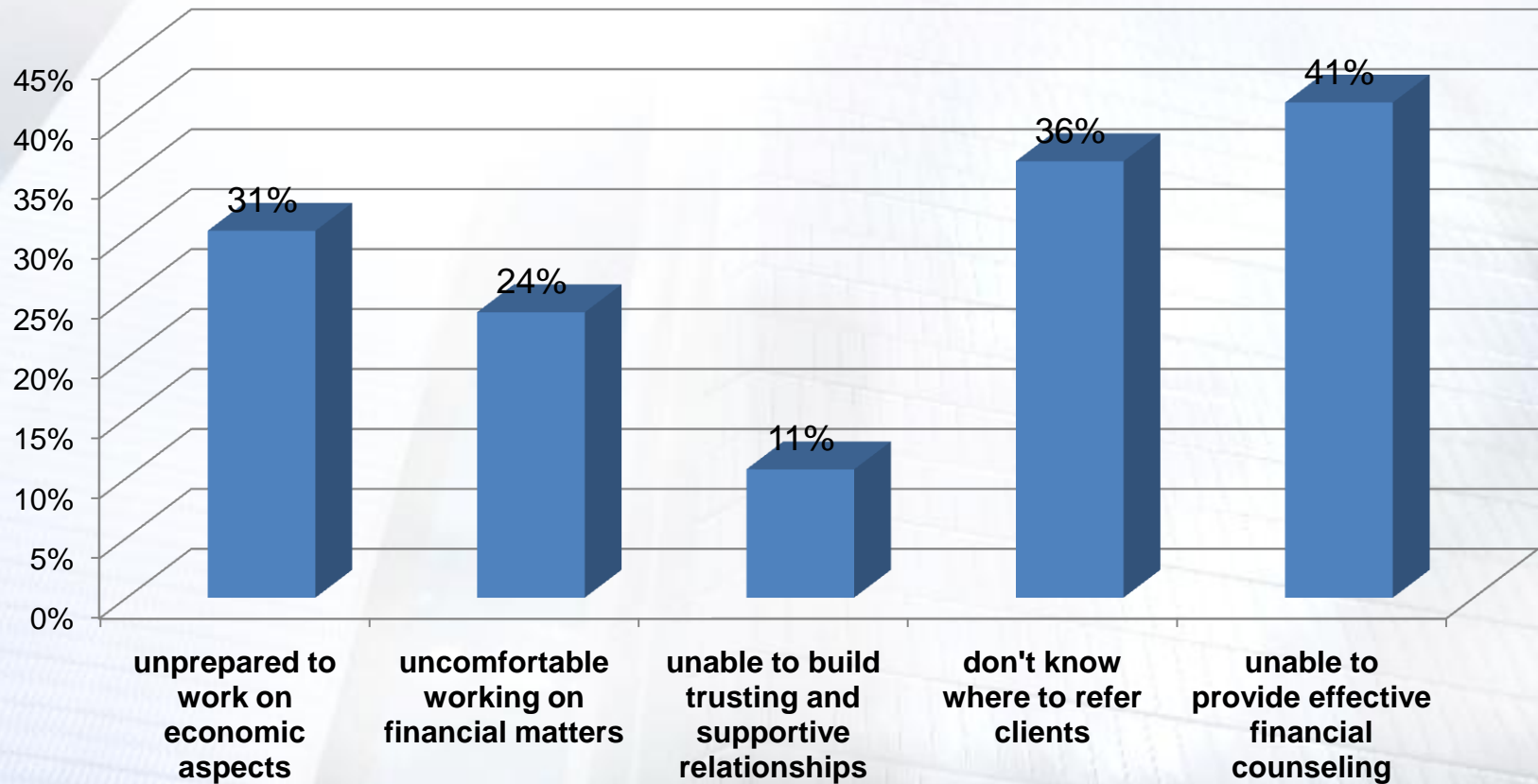
# Planning ahead – “Rainy Day” funds



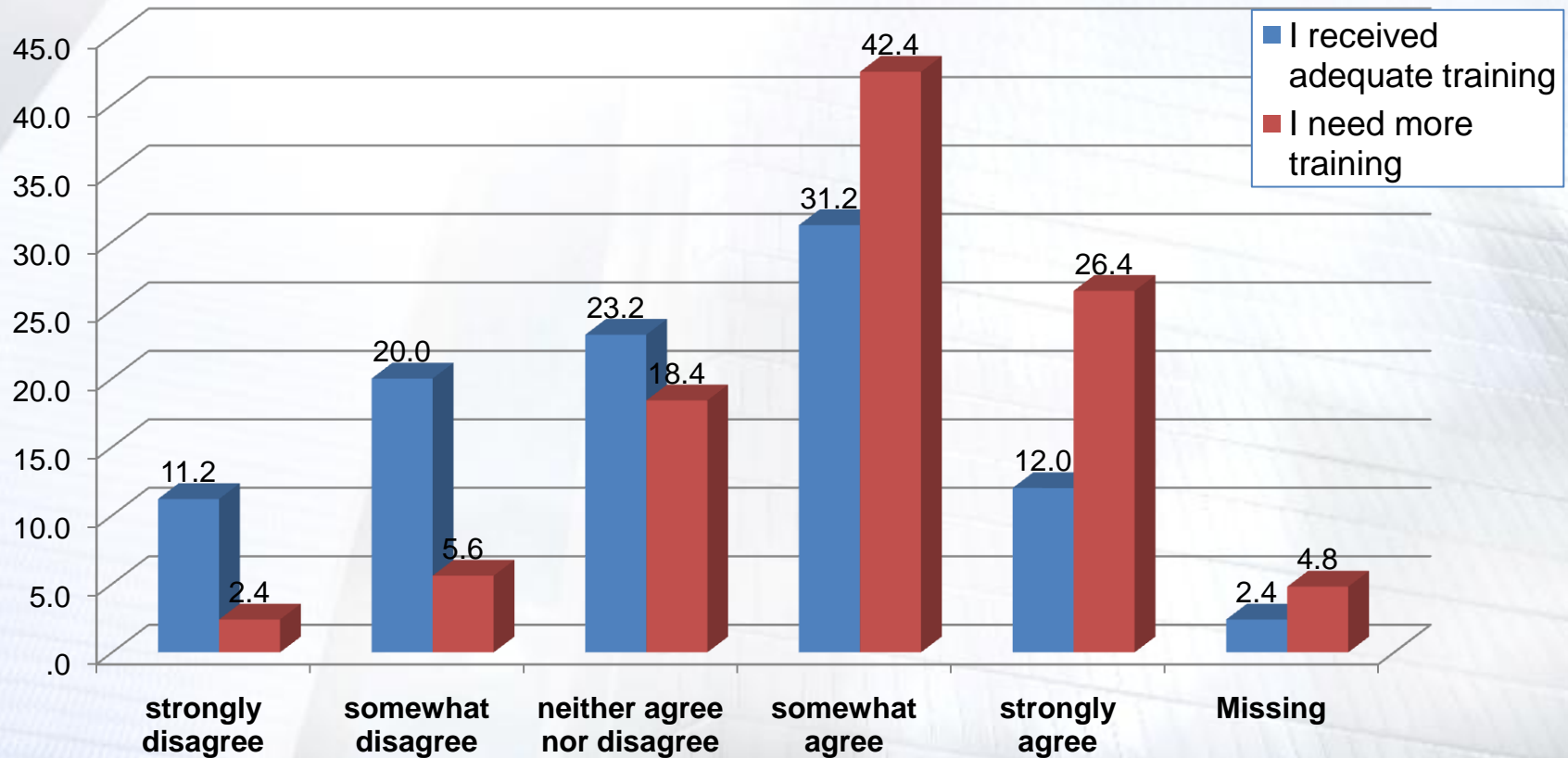
# Keeping track of credit history



# Preparedness to deliver services



# Perceptions about training



# Reflection...

- What do the findings mean to you?
- What can we do, at the agency and personal levels, to empower our staff and ourselves?
- How could we better serve our clients?