



Family and Consumer Sciences Extension

CFinancial Management 2005

Learning for Life

The University of Georgia Cooperative Extension

The Problem

- \$ Georgians with limited financial literacy skills are severely disadvantaged in an increasingly sophisticated financial marketplace and are vulnerable to unfair and fraudulent business practices. Senior citizens and minorities are particularly vulnerable.
- \$ The average household debt excluding mortgages was \$18,700 in October 2003 (Bureau of Economic Analysis).
- High levels of debt coupled with low levels of savings contribute to financial insecurity for many Georgia households.
- The U.S. Personal Savings rate has declined from 11.2% in 1982 to a negative 0.7% in October 2005. According to the A.G. Edwards Nest Egg Index, Georgia's personal savings rate ranks 36th in the nation, below the national average, with Atlanta ranked # 63 among metro areas.
- Georgia leads the nation (behind Utah and Nevada) in personal bankruptcy filings, with 1 of every 42.4 Georgia households having filed for bankruptcy in the 12-month period ending March 31, 2004 (American Bankruptcy Institute).
- The Household Debt Service Ratio (ratio of debt payment to disposable income) for all consumers rose to a record high 13.75 in the third quarter of 2005 (Federal Reserve).
- \$ Financial information needs vary with age and stage of the life cycle.

Research-based Solutions

- \$ Improving financial literacy for youth and young adults reduces the likelihood of overspending and credit abuse in later life.
- \$ Targeted educational programs create public awareness and help Georgia consumers to reduce debt, maximize tax credits, increase savings, and plan spending to meet financial goals.

Extension's Role

- Provide unbiased, research-based information to help Georgians of all ages to maximize limited financial resources, set financial goals, and plan spending to achieve goals.
- Promote via the media and educational programs desirable financial behaviors such as eliminating debt, saving for life goals, electronic filing of income taxes, avoiding frauds and scams, and investing for long-term goals.

Extension's Contribution to Solving the Problem

- Financial education programs reached 10,494 Georgians and provided over 22,500 hours of instruction to help them better manage their financial resources and protect themselves from consumer fraud in 2005.
- The *Consumer Financial Literacy Program* provided free tax assistance to 1,300 low-income Georgians in 24 counties to file federal and state income tax returns.
- The use of media was a major strategy for public financial management education. For example, eleven exhibits reached over 600 viewers; 40 newspaper columns went to a circulation of almost 638,300; and 22 articles and publications went to a circulation of more than 79,000 readers.

Impact on Georgians

- The use of direct deposit tax filing increased from 26% in 2004 to 48% in 2005 by Georgians who used the *Consumer Financial Literacy Program* (CFLP) free tax assistance service. The use of direct deposit

helped them to receive tax refunds quickly and avoid costly refund anticipation loans. Use of refund anticipation loans decreased from 12.5% in 2004 to 10.9% in 2005 among Georgians who used the CFLP tax assistance service.

- Of the Georgians who participated in consumer education programs, 82% said the training workshops were helpful to learn about consumer skills and financial management practices. Most of the participants said that they plan to follow learned financial management practices. For example, 97% planned to set a goal to get out of debt; 81% planned to develop a written plan for spending; 88% planned to start an emergency saving fund; 91% planned to keep track of their spending; 84% planned to request a copy of their credit reports; and 90% planned to play their bills on time.
- Most Georgians who participated in consumer fraud prevention education programs cited actions to protect themselves from potential telemarketing fraud and identity theft. For example, 90% of the participants planned to be very cautious when conducting business over the telephone with unknown persons; 91% planned to verify how personal information will be used before giving any information about themselves; and 92% planned to file a report with their local police if they are victims of identity theft.

Economic Impact on Georgians

- The total value of the tax assistance service provided by the *Consumer Financial Literacy Program* on Georgia's economy was \$1,432,923.00 in 2005. Of this amount, \$1,376,542.00 was the total value of income tax refunds received, \$2,457.00 was the value of savings by clients that avoided refund anticipation loans, and \$53,924.00 was saved by using free tax assistance service.

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