CFPB Financial Education Exchange (CFPB FinEx)

Texas Housing Counseling Network webinar
For Audio, please dial 1-877-347-4079, code: 3333

August 17, 2017
Irene Skricki, Maria Jaramillo, and Susan Kerbel, CFPB Office of Financial Education
This presentation is being made by a Consumer Financial Protection Bureau representative on behalf of the Bureau. It does not constitute legal interpretation, guidance or advice of the Consumer Financial Protection Bureau. Any opinions or views stated by the presenter are the presenter’s own and may not represent the Bureau’s views.
Today’s topics:

- CFPB Financial Education Exchange
- CFPB tools and resources
- Principles for effective financial education
- Financial coaching
- Managing spending and credit
Consumer Financial Protection Bureau

The CFPB helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

**Empower**
We create tools, answer common questions, and provide tips that help consumers navigate their financial choices and shop for the deal that works best for them.

**Enforce**
We take action against predatory companies and practices that violate the law and have already returned billions of dollars to harmed consumers.

**Educate**
We encourage financial education and capability from childhood through retirement, publish research, and educate financial companies about their responsibilities.
Office of Financial Education

Our mission:
Educate and empower consumers to make better informed financial decisions.
CFPB Financial Education Exchange (CFPB FinEx)

**CFPB FinEx**: an online and in-person opportunity to access CFPB tools and resources, and connect with the CFPB and your peers engaged in financial education.

Our goal is to help you improve the financial well-being of the people you serve.

**FinEx regional convenings:**
- Dallas, TX
- Fort Worth, TX
- Maryland
- Neighborworks financial capability sites
- Denver, CO
- Kansas City, MO
- Atlanta, GA
- Sacramento, CA
- Madison, WI
- St. Louis, MO
- Tacoma, WA

**Monthly e-newsletters**
**Baseline and follow-up surveys**

**26 monthly webinars to date:**
- Resources for servicemembers
- Accessing credit scores
- Managing spending
- Debt collection resources
- Credit card spending
- Libraries as a Financial Education Resources
- Helping Youth Develop Financial Capability
- Financial Coaching
- Financial Education Programs Serving Immigrant Populations
- Federal Financial Education Resources
- Take Control of Your Auto Loan
- Financial Rules to Live By
- Resources for Parents
- Tips for Strengthening Financial Education Curriculum
- Financial Education Resources for Parents and Caregivers
- Resources for Financial Caregivers
- Measuring Financial Well-Being
- Planning for Retirement/myRA
- Owning a Home
- Tax Time Savings
- Your Money, Your Goals Toolkit
- CFPB Consumer Complaint System

**Number of financial educators signed up for CFPB FinEx:** 2526

To sign up, email CFPB_FinEx@cfpb.gov
Resource inventory for financial educators

Find it at consumerfinance.gov/adult-financial-education

- **Understanding the financial education field and practices**
  - Keep up with the financial education field and with promising and effective practices

- **Understanding consumers**
  - Gain insights into consumer behaviors, motivations, perceptions, and attitudes, including challenges consumers face in the financial marketplace

- **Tools for financial educators**
  - Investigate training materials and toolkits designed to improve your effectiveness and service to clients

- **Tools for consumers**
  - Help your clients with easy-to-digest web tools and guides tailored to their needs
Resources for financial educators

We help you help the people you serve. For adult financial educators, the tools here show our latest thinking on consumer financial behavior and effective financial education practices.

Upcoming webinar

Join us for a free webinar on Thursday, Sept. 22, from 2-3 p.m. EDT, to learn about financial education approaches targeted to immigrant populations and CFPB resources for non- and limited English-speaking consumers.

Email CFPB_FINEx@consumerfinance.gov to reserve your spot.
Missed a webinar? View past webinars.

Resources for financial educators

See the whole inventory of materials that you can access, download, and use for free. Or order CFPB financial education materials.
Join the discussion!

FINANCIAL EDUCATION DISCUSSION GROUP ON LINKEDIN

Join us on LinkedIn
http://www.linkedin.com/groups/CFPB-Financial-Education-Discussion-Group-565623

It's free!
There is no cost to join our discussion group or LinkedIn.

The Consumer Financial Protection Bureau's Office of Financial Education is hosting a LinkedIn group to talk about financial education. It's a forum for you - the financial educators, researchers, and thought leaders of the financial education community, to learn about the work of the CFPB, share your thoughts and best practices, keep up with the latest news and research, and learn from your peers in the field.

How to Join
You must have a LinkedIn profile. Search for “CFPB Financial Education Discussion Group” in the “Groups” tab.

For more information, contact Irene Skiriotes in the CFPB Office of Financial Education (Irene.Skiriotis@cfpb.gov).
CFPB Tools and Resources
CFPB online tools on homeownership, paying for college, and planning for retirement

consumerfinance.gov/owning-a-home

consumerfinance.gov/paying-for-college

consumerfinance.gov/retirement
Getting an Auto Loan

Tools and resources to help consumers to:

- Shop for an auto loan with as much care as you shop for the vehicle itself
- Look beyond the monthly payment and consider total cost to compare and negotiate for financing
- “Know before you owe” by spotting financing features that could lead to costly surprises later

consumerfinance.gov/auto-loans
Submit a Complaint and Ask CFPB

Having a problem with a financial product or service?
Tell us about your issue—we’ll forward it to the company and work to get you a response, generally within 15 days.

Submit a complaint
We’ve handled over 1 million complaints, helping consumers connect with financial companies to get direct responses about problems with mortgages, student loans, payday loans, debt collection, credit reports, and other financial products and services.

Every complaint we receive gives us insights into problems that people are experiencing in the marketplace and helps us to identify and prioritize problems for potential action. The result: better outcomes for consumers, and a better financial marketplace for everyone.

Start a new complaint
(855) 411-2372

Ask CFPB
We offer clear, impartial answers to hundreds of financial questions. Find the information you need to make more informed choices about your money.

- Auto loans
  - What effect will shopping for an auto loan have on my credit? Read answer.
  - I owe more on my current loan than my current vehicle is worth. What do I need to know if I buy a new vehicle? Read answer.

- Bank accounts and services
  - How quickly can I get money after I deposit a check into my checking account? What is a deposit hold? Read answer.
  - I would like to be able to have my friend or family member help with my bill-paying and banking. What are my options? Read answer.

- Credit cards
  - What is a credit card interest rate? What does APR mean? Read answer.
  - How do I dispute a charge on my credit card bill? Read answer.

See all auto loans questions
See all credit cards questions

consumerfinance.gov/complaint

consumerfinance.gov/askcfpb
Money Topic Resource Portal – Debt Collection

Our new portal helps people find information and learn about debt collection while providing links to additional resources.

Information is broken down by key sections:

- Get started
- Understand your situation
- Take action

With a link to more debt collection questions and answers in Ask CFPB
Money Topic Resource Portal – Credit Reports and Scores

Launched March 2017

Primary goals

- Provide consumers with foundation of knowledge
- Help consumers fix urgent issues
- Direct consumers to the most relevant information for their personal financial situation

consumerfinance.gov/consumer-tools/credit-reports-and-scores/
Print resources on credit scores and reports
Open Score Company List

Where to find free access to a credit score

Credit scores play a crucial role in the financial lives of consumers in the United States. A credit score is a three-digit number that predicts how likely you are to pay back a loan on time, based on information from your credit reports.

You can take a first step toward learning more about your credit history by checking your credit scores and credit reports. The good news is you are increasingly able to see your credit scores for free.

To raise awareness of how you can access and use your scores, the CFPB is releasing a list of companies that offer their credit card customers free access to one of their credit scores.

We reached out to companies that offer at least some of their customers free access to a credit score by publishing a notice on the Federal Register’s public website.1 This list is based on companies’ voluntary responses to that notice. Only credit card issuers that responded to this notice in the Federal Register are included in the list, but other issuers also may offer this service.

We have provided links to the comments submitted by each company in the table included in the document. We encourage you to check this information, or to contact each company, to find out which specific credit card products are eligible for the service, and on what conditions, if any.

https://www.consumerfinance.gov/about-us/blog/check-our-new-list-see-if-your-credit-card-offers-you-free-access-one-your-credit-scores/
Your Money, Your Goals

- Training enhances confidence about discussing finances with clients
- Training provides clear examples of effective communication techniques
- Modular toolkit is user-friendly with plain language text
- Available for download in English and Spanish
- Customized versions for social service providers, legal aid organizations, community volunteers, and worker organizations
Principles for effective financial education
Goals of the Principles

- Provide tools to help implement the key insights gathered through CFPB’s financial well-being research and other best practices.

- Promote effective financial education by proposing the key knowledge, skills, and personal attitudes that help one take action to achieve greater financial well-being.

- Highlight strategies that help adult consumers build financial capability and make progress on their financial goals.
Financial well-being and how to measure it

Definition of financial well-being:

- Having control over day-to-day, month-to-month finances
- Having the capability to absorb a financial shock
- Being on track to meet financial goals, and
- Having the financial freedom to make choices that allow one to enjoy life

Financial well-being scale:

<table>
<thead>
<tr>
<th>Part 1: How well does this statement describe you or your situation?</th>
</tr>
</thead>
<tbody>
<tr>
<td>This statement describes me</td>
</tr>
<tr>
<td>Completely</td>
</tr>
<tr>
<td>1. I could handle a major unexpected expense</td>
</tr>
<tr>
<td>2. I am securing my financial future</td>
</tr>
<tr>
<td>3. Because of my money situation, I feel like I will never have the things I want in life</td>
</tr>
<tr>
<td>4. I can enjoy life because of the way I'm managing my money</td>
</tr>
<tr>
<td>5. I am just getting by financially</td>
</tr>
<tr>
<td>6. I am concerned that the money I have or will save won't last</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part 2: How often does this statement apply to you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>This statement applies to me</td>
</tr>
<tr>
<td>Always</td>
</tr>
<tr>
<td>7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month</td>
</tr>
<tr>
<td>8. I have money left over at the end of the month</td>
</tr>
<tr>
<td>9. I am behind with my finances</td>
</tr>
<tr>
<td>10. My finances control my life</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part 3: Tell us about yourself.</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. How old are you?</td>
</tr>
<tr>
<td>12. How did you take the questionnaire?</td>
</tr>
</tbody>
</table>

Find them at [https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-scale/](https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-scale/)
How to use the Principles

Practitioners can use the Principles to:

✓ Identify promising strategies that can help consumers improve their financial well-being.

✓ Evaluate which principles are already present in their programs and how they support financial well-being.

✓ Refine existing programs by incorporating new insights gathered through CFPB’s financial well-being research.
Principles for effective financial education

1. **Know the individuals and families to be served**
   - Start with learning their challenges, goals, and situation and tailor support accordingly

2. **Provide actionable, relevant and timely information**

3. **Improve key financial skills**
   - By supporting individuals in learning the “how to” of effective personal financial management applied to their own situation

4. **Build on motivation**
   - Help people clarify motivations and connect action steps to desired outcomes
   - Support development of financial self-efficacy

5. **Make it easy to make good decisions and follow through**
   - Help create a context that makes it easier for people to achieve their goals.
Principles for effective financial education

Effective financial education: Five principles and how to use them

Find them at consumerfinance.gov/data-research/research-reports/effective-financial-education-five-principles-and-how-use-them/
Financial coaching
Financial coaching study

Urban Institute* randomized control trial of two financial coaching programs:

- **Branches**
  - faith-based nonprofit organization that provides financial services, child care, and other services in Miami, Florida
  - recruited coaching clients who were municipal government agency employees

- **The Financial Clinic**
  - nonprofit organization in New York City offering financial coaching, income tax preparation and legal support for working poor families
  - recruited coaching clients from income tax filing assistance programs and from credit, debt, and budgeting workshops offered in the community

*The research described in this report was funded by the Consumer Financial Protection Bureau (CFPB) under a competitive award, contract number CFP-12-Z-00006. The views, findings and conclusions in this report are those of the authors, and do not necessarily reflect those of the Consumer Financial Protection Bureau.
Impact on money management

Generally, people offered access to coaching:*
- Were more likely to pay bills on time
- Had an increased frequency of savings deposits

The Financial Clinic coaching clients:
- 32% more deposits into savings
- 36% more likely to use a financial spending plan or budget
- 16% more likely to pay bills on time

Branches coaching clients:
- 19% more deposits into savings
- 60% more likely to have set aside emergency funds
- 20% less likely to borrow from family and friends

*All results reported are the impact on participants offered coaching compared to members of the control group.
Impact on savings, debt, and credit scores

Generally, people offered access to coaching:
- Had improvements in savings levels, credit scores, and/or reduced debt.

The Financial Clinic coaching clients:
- Increased savings by $1,187 (per person)
- Increased credit scores by 21 points (per person)
- Amount of past-due debt in collections decreased by $633 (per person)

Branches coaching clients:
- Reduced debt by $10,644 (per person)
Impact on attitudes

Generally, people offered access to coaching:
- Reported an increased sense of confidence in their finances and reduced feelings of financial stress

Branches coaching clients:
- 15% more satisfied with financial situation
- Experienced 12% less financial stress
- 36% more likely to report making progress towards non-retirement savings goals

The Financial Clinic coaching clients:
- 82% more likely to report making progress towards non-retirement savings goals
- 59% increase in perception of progress toward improving budgeting skills
Financial coaching practitioners brief

Implementing financial coaching: Implications for practitioners
**Key learning:** Coaching is a flexible approach that can work for many types of clients.

- Each coaching program focused its coaching activities on issues and goals targeted to the individuals and communities they served.

**Implications for practice:**

- By design, coaching is very flexible. Adapt the coaching program design to meet the needs of the individuals and communities you serve.
Client interest in financial coaching

**Key Learning:** Take-up of coaching by clients is often lower than expected.

- Not everyone is able or interested in meeting with a financial coach, and even some who have signed up for coaching do not actually show up for services. Some degree of drop-off of clients who had expressed interest in coaching can be expected.

**Implications for practice:**

- To the extent possible, target coaching services to clients who are likely to engage in and stick with coaching, such as clients who are not in crisis and who have defined financial goals.
Engaging coaching clients

Key Learning: Coaching clients have varying levels of engagement in coaching services.

- Some clients may attend only one or two sessions, while others seek more sessions over a longer time. Coaching programs have to maintain flexibility to address both shorter- and longer-term client needs.

Implications for practice:

- Make it easy and convenient for clients to participate in coaching.
- Pay attention to initial impressions and encourage financial coaches to engage clients quickly and effectively.
- Make the first session valuable and actionable in case clients do not return for additional sessions.
Financial coaching topics

**Key Learning:** Issues with credit and debt are often the key interests and motivation of coaching clients.

- The specific needs and goals of each client were different, but credit and debt were common themes.

**Implications for practice:**

- Have activities, tools, and referrals related to credit and debt issues in place as resources to coaching clients.
- Emphasizing credit improvement and debt repayment in outreach and marketing may be a good way to get clients in the door.
Client success

**Key Learning:** Clients bring a wide array of motivations and challenges to the table.

- Coaches have to balance supporting clients with putting the bulk of the work on the client to do.

**Implications for practice**

- Begin by exploring and understanding the motivations and challenges of coaching clients.
Background of coaches

**Key Learning:** *Multiple approaches to training and staffing of financial coaching programs can be successful.*

- There are a variety of approaches to financial coaching, training and staffing. Some successful financial coaches in this study came to the position without previous coaching experience, and were provided with staff training on the job.

**Implications for practice:**
- Explore options for recruiting, deploying, and training coaches that fit best with your organization’s needs and capacity.
Managing Spending and Credit
Study #1: Financial guidelines study
Financial Guidelines Study

- Can simple messages change financial behavior?
- Randomized controlled trial design
- Project conducted by:
  - Urban Institute
  - Doorways to Dreams Fund
  - Arizona Federal Credit Union

The study was conducted by The Urban Institute, and their subcontractor the Doorways to Dreams Fund (also known as Commonwealth), under contract with the CFPB, after selection through a competitive solicitation (contract number CFP-12-Z-00006, Task Order 0002).
The Financial Guidelines We Tested

DON’T SWIPE the SMALL STUFF.

Use cash when it’s UNDER $20.

CREDIT keeps CHARGING.

It adds about 20% to the TOTAL.

Find out why >
## Methodology

<table>
<thead>
<tr>
<th>Sample</th>
<th>Randomization</th>
<th>Guideline</th>
<th>Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>13,957 AZ Credit Union credit card revolvers</td>
<td>2 Experimental Groups</td>
<td>“Don’t swipe the small stuff”</td>
<td>emails</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Credit keeps charging”</td>
<td>web portal banners</td>
</tr>
<tr>
<td></td>
<td>Control Group</td>
<td>none</td>
<td>fridge magnet calendar</td>
</tr>
</tbody>
</table>
Results: Credit Card Balances

- **Rule statement exposure reduced credit card balance**
  - Average 2% lower card balance on AZFCU credit card for revolvers who saw “cash under $20” rule, vs. controls
  - Average $104 lower card balance

- **Mechanism unclear**
  - Did not detect decrease in credit card purchases
  - Did not detect increase in card payments
  - Unlikely substituted cash or debit for credit card purchases
  - Unlikely substituted one credit card for another
How can you help?

Find it at consumerfinance.gov/adult-financial-education
How can you help?

- Share our **credit card rules to live by** with consumers
  - Don’t swipe the small stuff: Use cash when it’s under $20
  - Credit keeps charging: It adds approximately 20% to the total

- Clarify that these rules are just starting points for their personal rule

- Help consumers customize these rules of thumb to fit their personal circumstances, resources, and goals

- Explore ways to help consumers keep their attention focused on their rule
  - Reminders: calendars, apps, notes, alerts
  - Make it visible and convenient

- Think about ways to focus consumer attention on the cost of credit cards
  - Small purchases add up
  - Cost of carrying a balance

Find it at [consumerfinance.gov/adult-financial-education](http://consumerfinance.gov/adult-financial-education)
My Credit Spending Rule to Live By Worksheet

My credit spending rule to live by

“Use cash when it’s under $20.”

Money tips you might hear

Sometimes it’s hard to apply advice you hear in articles or books—or even from friends and family—to your own circumstances. Don’t feel discouraged. You can decide on your own personal rules to live by that work for your financial situation. Small changes to the way you use your credit card could help you take more control of your credit card debt.

Instructions: Use this worksheet to create your own personal rules to live by that will help you meet the goals for controlling credit card spending. Breaking down the goals into small actionable steps may keep you from feeling overwhelmed. Writing down your goals can make you much more likely to stick to them.

Continue to the next page to get started.

About money rules to live by

Just like lane markers on a highway, your money rules to live by are guidelines that keep you moving in the right direction. You might have to speed up some things, slow down others, or change lanes from time to time, but your money rules can help you reach your financial destination.

This worksheet is part of a series that focuses on commons rules to live by that may help you make good financial decisions in your life. To read the research that helped inform this worksheet, and find out how other consumers think and feel about common advice they hear visit consumerfinance.gov/adult-financial-education.

About the CFPB

The Consumer Financial Protection Bureau (CFPB) is an independent federal agency that helps protect consumers by making sure financial markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

For more tools and resources on making financial decisions, visit consumerfinance.gov.

Step 1: Look at last month’s credit card bill

Circle each bill every time you spend your credit card for less than $20. Small costs can add up over time, so consider paying cash instead. And, unless you pay your full balance off every month, interest and fees can add about 20% to the cost of an item for average credit card customers.

- Count up the number of times you used your credit card for a purchase under $20: ______________ times

- Add up the total you spent on these small purchases: $____________

- List the times and places you used your credit card for small purchases:

  ______________

  ______________

- On the list above, circle the times when you could have paid cash instead

Step 2: Create a rule to live by to help you control your credit card debt

- Decide when and where to pay cash more often. Examples: “I’ll pay cash for morning coffee” or “I’ll pay cash once a month for taxes, transit, parking, or gas” or “I’ll pay cash after 6 p.m. on weekends.”

- Write down your rule below, sign this worksheet, and keep it where you can see it.

  I will pay cash instead of swiping my credit card: ______________

Step 3: Make a promise to yourself—and take action on your rule

I will use my unique rule to live by to help me take control of my credit card debt: ______________

(sign here)

Learn more at consumerfinance.gov/adult-financial-education

Find it at consumerfinance.gov/adult-financial-education
Study #2: Consumer insights on managing spending
About the study

- **Goal:** identify financial decision-making challenges faced by consumers, and design and test strategies to help people address those challenges.

- A contractor* and private-sector firm** worked with the CFPB to develop and test prototypes on managing spending

---

*The study was conducted by Behavioral Labs, Inc. (also known as ideas42) under contract with the CFPB after selection through a competitive solicitation (contract number TPD-CFP-12-C-0020).

**NID Security is a hardware company that manufactures display cards. NID Security had a Memorandum of Understanding (MOU) with the contractor to share their findings from the prototype research. Working with this company does not constitute an endorsement of this company or its products on the part of the CFPB.

Find it at consumerfinance.gov/adult-financial-education
Consumer challenges in managing spending

- **Organizing finances can be complex and intimidating**
  - Involves paperwork, math, trade-offs, and constraints
  - It’s a hassle!

- **Circumstances affect consumers' spending habits**
  - Small frequent purchases
  - Uncommon purchases
  - Special occasions
  - Sales and discounts

Find it at consumerfinance.gov/adult-financial-education
Consumer challenges in managing spending (cont.)

- Consumers find it hard to know how much money is left
  - Many consumers spend more with a credit card than they would with cash
  - Consumers usually don’t see the results of a card purchase until the end of the month

- Consumers don't always implement their financial intentions

- "Traps of scarcity" cause consumers to struggle even more
  - Consumers with limited financial reserves may primarily focus on their immediate spending decisions and challenges

Find it at consumerfinance.gov/adult-financial-education
Potential solution tested in the study

One potential solution:

- Give consumers information about how much they have “left to spend” in their budget, so that they can make more informed choices about potential purchases.
Prototypes tested in the study

A payment card with built-in feedback
A card that shows how much is “left to spend” in a given time period, based on budget set by the consumer.

A flexible budgeting app
A phone/computer app that allows consumers to create a budget and keep track of how much they have left to spend, drawing on data from their accounts.
Findings: Insights on consumer behavior

- **Budgeting can be overwhelming or too much of a hassle**
  - 40% said that the primary reason they did not have budgets was due to the uncertainty of their income or expenses.
  - 23% of respondents never got around to making a budget despite the intention to do so.

- **Lack of meaningful, timely feedback is a challenge to managing finances**
  - Only about 2% said they had a tool that could instantly communicate how much money they had left to use based on actual transactions.

- **People generally do not benchmark their spending to their budget regularly**
Findings: Insights on the prototypes

- **The card/app provided meaningful feedback**

  “The monthly figure lets you know how carefully you need to limit your spending for the month so you don't go over your limit before the end of the month.”

  “The [the card and app] made me aware of it actually being MONEY that I'm spending, where a regular card sometimes feels like it is free”

- **The card/app could help curb impulse spending**

  “I think [the card and app] would be most useful to control impulse purchases, stuff that you might buy day to day, like coffee or things at the drugstore or whatever that you don't account for in a budget or don't realize how fast they add up.”
Findings: Insights on the prototype (cont.)

Consumers said the card/app would help them:

- **Stay within budget**
  - Consumers who tested the prototype made significantly different choices in the testing situation than those who did not use the prototype.

- **Reduce uncertainties**
  - 74% who tested the prototype agreed/strongly agreed that the “safe to spend” figure gave them peace of mind.

- **Increase frequency of budget tracking**
  - 50% said they would use the card and app at least daily to keep up to date on their spending status.

- **Make routine updates and benchmarking easier**
  - Consumers said the card and app would be particularly useful for people who wouldn’t OR don’t have the time to track their expenses.
The card/app could be helpful to younger and older consumers.

- A mother of five thought the card/app would be useful to give her children their allowance and then allow her to monitor their expenditures.

- Others said this could be a valuable tool for older consumers who may face difficulties in accessing their accounts through other means.

“Most people need to learn how to spend money wisely. [The card and app] could help the younger people learn to budget.”

Overall, consumer interest was very high

- Almost 90% said were interested in using spending feedback tools.
Implications

- **Consumers:**
  - can find ways to get information on their spending and account balances in as close to real time as possible
    - balance-alert text-messaging services, calling their bank, visiting an ATM, viewing their accounts online, or using apps

- **Financial education professionals:**
  - can help consumers create budgets, manage bills, and find ways to get regular feedback on spending, by encouraging consumers to access account balance information before spending

- **Financial services providers:**
  - can adopt these approaches in their products and services
How can you help?

Managing spending: Ideas for financial educators

The challenge of managing spending

Having control over day-to-day, month-to-month finances is one of the four elements of financial well-being. Many financial education programs teach consumers to create and follow budgets, and getting spending under control can be the first step on a path to accomplishing long-term financial goals.

However, as financial educators know, making day-to-day decisions on spending money is one of the biggest challenges consumers face in keeping their financial lives in order. Many people find it difficult to manage their household finances on a daily basis, let alone over the long term.

Nine out of ten shoppers report that they buy items not on their shopping lists. People consistently underestimate the amount they spend on unplanned items. Thus, consumers may find themselves spending more than intended. Adding to this challenge is the fact that about one-third of all consumers live paycheck-to-paycheck. In some cases, they may find themselves short on cash and resort to dipping into savings, taking short-term high-interest loans, or using credit cards.

Exploring the causes

Research shows that there are many reasons why some consumers struggle to manage their spending. To gain insight into why it’s so hard for consumers to do this, consider these issues:

1. The hassle of organizing finances
   Making and adhering to a budget involves paperwork, receipts, trade-offs, and understanding constraints. In short, it is a hassle. Avoiding the pain of budgeting can lead to inaction or less optimal choices in the absence of meaningful, timely feedback.

2. Difficulty keeping track of spending
   With little to no meaningful, current, and easily accessible information about their cash balances when making small discretionary purchases, consumers may lose track of how much they have spent over time. This may lead to unintended spending.

3. Exceptions and special occasions
   Consumers may see a special occasion or having achieved some milestone or goal as a reason to spend “off-budget.” Without a good understanding of where they stand financially, consumers may find that such discretionary spending can negate efforts to stay within a budget.

4. Putting out fires
   Sudden money can lead to financial decisions that don’t help consumers reach their own financial goals. This is especially true with consumers in financial distress, who may focus on solving immediate financial challenges while not recognizing the impact on their long-term goals and aspirations.

Make budgeting easier

- Consumers may have difficulty organizing and managing their finances, including developing and using a budget. Helping people break large budgeting tasks into smaller ones can make it easier for them to control their financial lives.

Get feedback on spending

- People spend in different ways at different times. This is one reason why many financial management tools begin with tracking consumption. In order to increase awareness of spending, encourage people to track spending over the course of a month, or other period of time.

- Once consumers understand how much discretionary funds they have available, you can brainstorm ways of developing financial goals, creating a budget, and tracking progress against the budget.

- Encourage consumers to check account balances periodically by doing things such as calling their bank, visiting an ATM, signing up for text alerts, viewing accounts online, or using mobile applications before making discretionary purchases. (Note that some of these services may incur fees.)

Plan for special occasions

- Help consumers budget for special occasions. Suggest that consumers plan an amount to spend for special occasions each month and write it on an envelope. Encourage them to place all their special occasion receipts in the envelope and, at the end of the month, total up how much has been spent. If they are over budget, encourage them to deduct the difference from their next month’s special occasion budget.

Inspired to help?

Think about ways you can make it easier for consumers to carry out their best intentions around spending—or make it harder to slip up. The ideas below can help guide your work with consumers.

Prevent fines

- Consumers under financial strain may struggle to pay their bills in a way that avoids exorbitant charges. For example, the Consumer Tips on Managing Spending file is available for download at consumerfinance.gov/adult-financial-education.

- Education consumers on alternative ways to tackle paying bills or build an emergency fund to avoid larger economic consequences later.

- Help consumers see how much, daily decisions can help in achieving larger financial goals.

The CFPB has developed resources to help financial educators and consumers with issues of managing spending. See, for example, the Consumer Tips on Managing Spending file at consumerfinance.gov/adult-financial-education.
How can you help?

- **Make budgeting easier**
  - Help people break large budgeting tasks into smaller ones.
  - Help consumers see how small, daily decisions can help in achieving larger financial goals.

- **Plan for special occasions**
  - Help consumers budget for special occasions.
  - One idea: the monthly “envelope method” for special occasions

- **Plan for emergencies**
  - Educate consumers on alternative ways to tackle paying bills or build an emergency fund

Find it at consumerfinance.gov/adult-financial-education
How can you help? (cont.)

- **Help people get feedback on spending**
  - Encourage people to track spending over the course of a month, or other period of time.
  - Brainstorm ways of developing financial goals, creating a budget, and tracking progress against the budget.
  - Encourage consumers to check account balances periodically by:
    - calling their bank, visiting an ATM, signing up for text alerts, viewing accounts online, or using mobile applications before making purchases.
Consumer worksheet on managing spending

Consumer tips for managing spending

Managing spending and keeping up with your budget can be difficult tasks, but there are ways to make it easier to manage your spending and reach your financial goals—and improve your financial wellbeing.

This worksheet helps you recognize common spending challenges and come up with ways you can take action to manage your spending.

Step 1: Identify spending challenges
Which of these common spending challenges apply to you?
Check those that apply to you.
- I don’t track or budget my income and spending because it’s a hassle.
- I have tried to use a budget, but tracking my income and spending is too complicated and/or takes too much time.
- I struggle to pay my bills and expenses because I have inadequate or irregular income.
- When I overspend I often think I can spend less later to make up for it, but I find it’s hard to do.
- I don’t think about the money I spend when using my debit or credit card to make purchases.
- I like to treat myself and others occasionally, but I can’t afford it.
- My financial situation is discouraging, so I avoid thinking about it.
If you’ve checked one or more of these boxes, try out some of the tips on the next page to better manage your spending.

Step 2: Address spending challenges
1. Start by getting a handle on where all your money goes.
   - Track your spending for a week or a month to see how much you’re spending in different categories.
2. Create a budget:
   - Create a household budget. (For an easy-to-use budget worksheet, go to My New Money Goal at consumerfinance.gov/MyNewMoneyGoal.)
   - Decide how much money you can set aside or save for special occasions so that you can enjoy life without overspending.
3. Decide how much to spend:
   - Set a weekly spending limit based on your budget for small purchases that can add up and keep you from achieving your aspirations. Consider setting aside cash for these purchases at the beginning of the week and not spending more than you set aside.
   - Check your balances before going shopping, and set a spending limit based on your budget.
4. Keep track of where you are:
   - Compare your actual spending to your budget, monthly or more frequently. Make adjustments to your budget if it is regularly out of line.
   - Check your balances regularly on accounts, credit cards, and prepaid cards. You can check your balances online, at an ATM on your smartphone, or by calling your bank or credit union. Be aware that these services may incur fees. Check with your financial service provider.
   - Sign up for balance alerts or text message services from your financial institution.

Step 3: Create a personal plan for managing spending
Steps I will take to manage my spending:
- Fill in one or more of the solutions above or come up with your own ideas
1. 
2. 
3. 
4. 

Learn more at consumerfinance.gov

Find it at consumerfinance.gov/adult-financial-education
My New Money Goal worksheet

FINANCIAL PLANNING WORKSHEET
MY NEW MONEY GOAL

Sometimes we set new goals, have changes in income, or switch priorities in our lives. Making a plan is the easiest way to navigate these changes.

You wouldn’t start a road trip without mapping it out first, and the same is true with your finances. This guide will help you get a clear view of where your money goes now so you can more easily decide where you want it to go in the future.

These are ____________’s goals as of ___/___/YYYY

WHAT IS MY NEW MONEY GOAL?

I want $________ by ___/___/YYYY

because I want to save for ________________

WHAT ARE YOU SAVING FOR?

WHAT AM I SAVING NOW?

List your savings goals in the spaces below. Include some money for retirement and rainy days. Try to give each goal a dollar amount and set a target for when you’d like to reach each goal. Then write down the monthly amount you’ll need to reach your goals. After completing the income, savings, and expenses sections on the following pages, write down how much you plan to commit this month.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Goal</th>
<th>Total needed</th>
<th>Months to goal</th>
<th>Monthly amount</th>
<th>This month’s commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Emergency savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>My new goal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Behind on Bills toolkit
Many consumers know about common financial rules of thumb.

Many are frustrated by what they see as unrealistic goals stated in common rules, as they struggle with competing priorities across their financial lives.

There is a sense that financial rules cannot be applied equally to all people in all circumstances.

Many commonly held rules are too broad or ill-defined to offer clear guidance to everyone.

A promising strategy is to help consumers develop their own financial rules of thumb customized to their personal situation — “financial rules to live by.”

Find it at consumerfinance.gov/adult-financial-education
Rules to Live By Consumer Worksheets

Find it at consumerfinance.gov/adult-financial-education
Resources

CFPB’s Resources for Financial Educators webpage:
www.consumerfinance.gov/adult-financial-education

To sign up for the CFPB Financial Education Exchange, email:
CFPB_FinEx@cfpb.gov

To sign up for the CFPB Financial Education Discussion Group:
www.linkedin.com/groups/CFPB-Financial-Education-Discussion-Group-5056623