

# An Assessment of FCS Extension Educators' Experience with Investment Planning

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## **1. Motivation**

I conducted an online survey in May 2006 to assess FCS extension educators' experiences with teaching saving and investing. As a new extension specialist for family financial management, I wanted to evaluate our field faculties' knowledge and comfort level with teaching financial planning, in particular investment planning. The findings of this survey provide direction for future projects and programs that target saving and investing education on the local county level.

More details about the online survey:

- Qualified respondents were members of the FCS Professionals email distribution list of Ohio State University Extension, a list of 187 email addresses. Counting double entries, the email distribution list reaches about 150 FCS professionals working for OSU Extension.
- The questionnaire consisted of 38 questions and was administered online from May 2-30, 2006.
- A total of 48 respondents completed the survey online (about 30%).

This report summarizes the following:

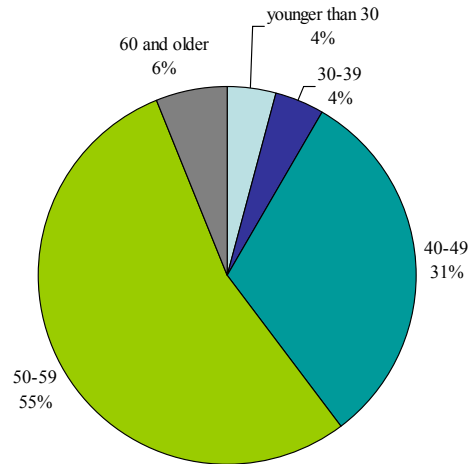
- Profile of FCS extension educators who participated in the survey,
- FCS educators' experiences with providing information on investment planning in their communities,
- FCS educators' attitudes toward teaching investment planning,
- FCS educators' investment literacy on 10 basic market questions, and
- Conclusions of the analysis.

I like to thank Nancy Hudson, Sharon Seiling, and Cyndi Renn for valuable comments on the questionnaire.

## Respondents' Profile

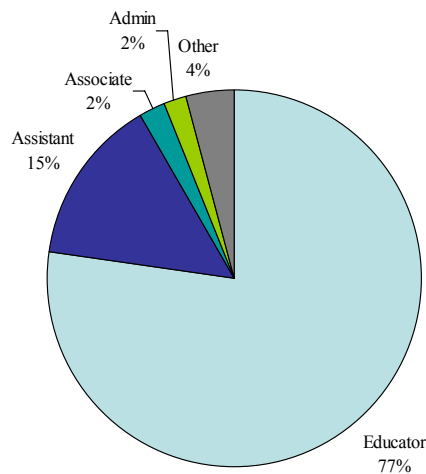
The respondents are almost all women; only one man responded. The majority of the respondents (86%) are between 40 and 60 years old.

Age Groups (N=48)



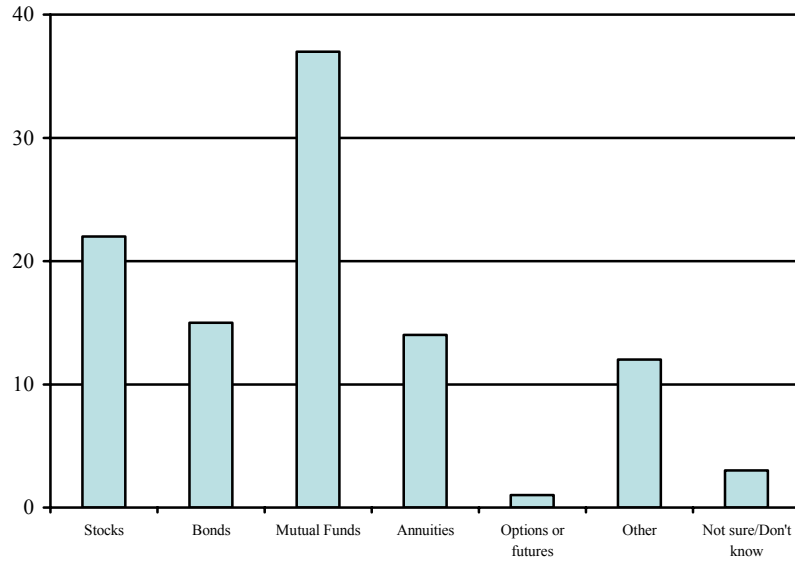
Three quarters of the respondents are extension educators (77.1%). The sample also includes program assistants (14.6%), information associates, and administrators (both 2.1%).

Occupation within OSU Extension (N=48)



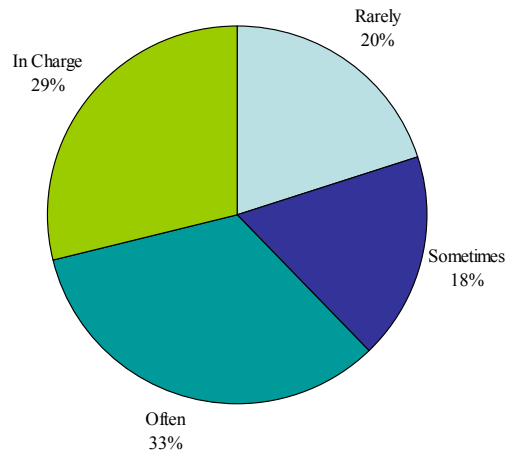
The majority of the respondents own mutual funds (82.2%), about one half own stocks (48.9%). One third also own bonds (33.3%) or annuities (31.1%).

Investments currently owned by respondents ( $N=45$ )



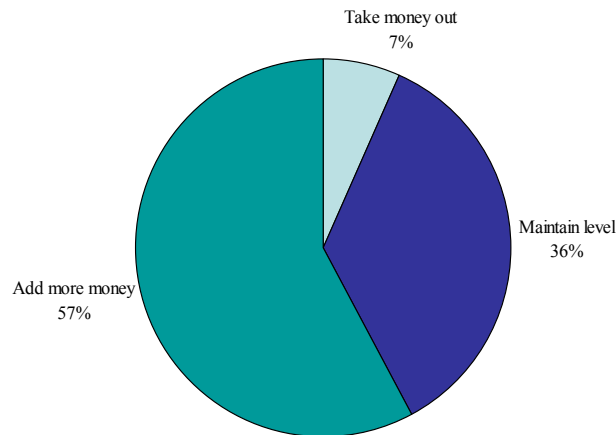
About one quarter (28.9%) of the respondents is in charge of the investment decisions in her household.

Respondents' investment decision making ( $N=45$ )



More than half of respondents plan to add more money into her investments over the next six months.

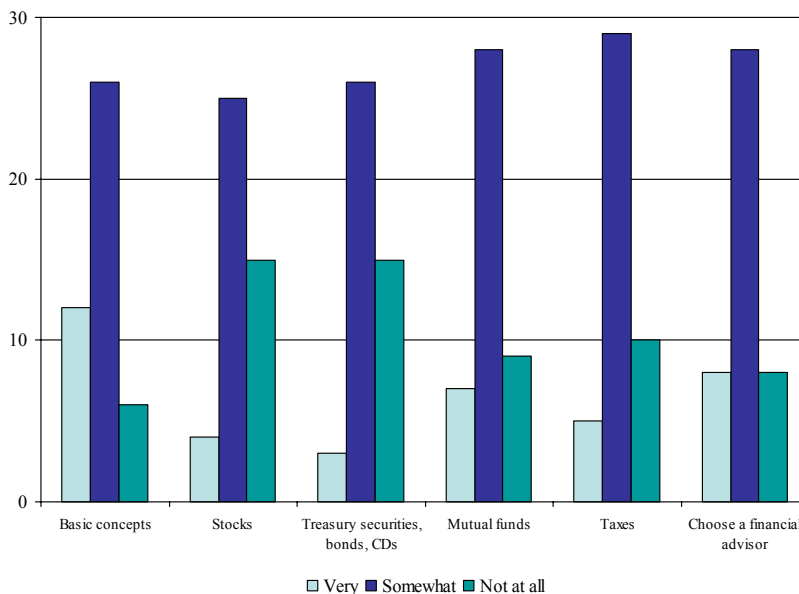
Respondents' future plans for their investments (N=45)



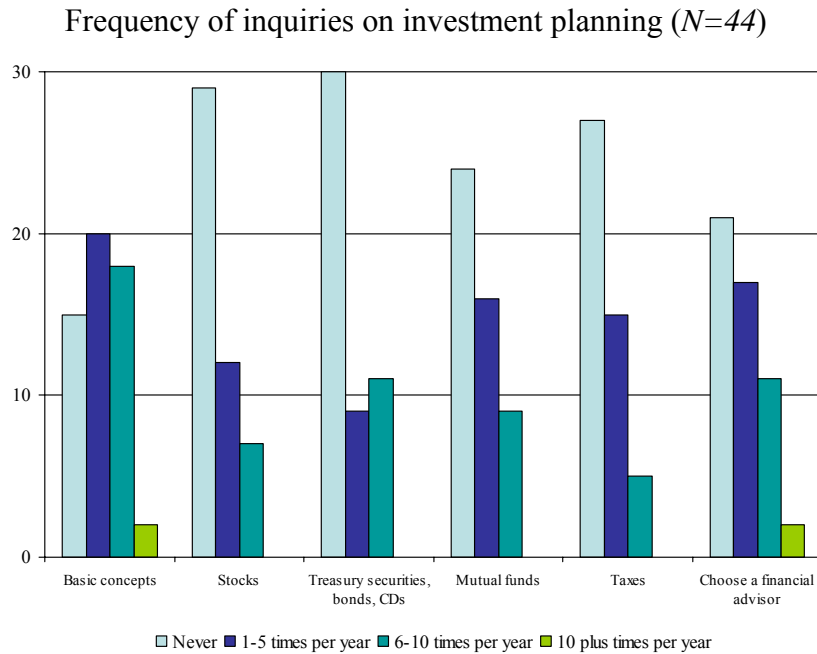
## 2. Experiences with teaching investment planning

While the majority of the respondents (57% to 66%) indicated to be somewhat knowledgeable about the different topics of investment planning, about one third (34%) reported to lack knowledge about investing in stocks, treasury securities, bonds, or CDs.

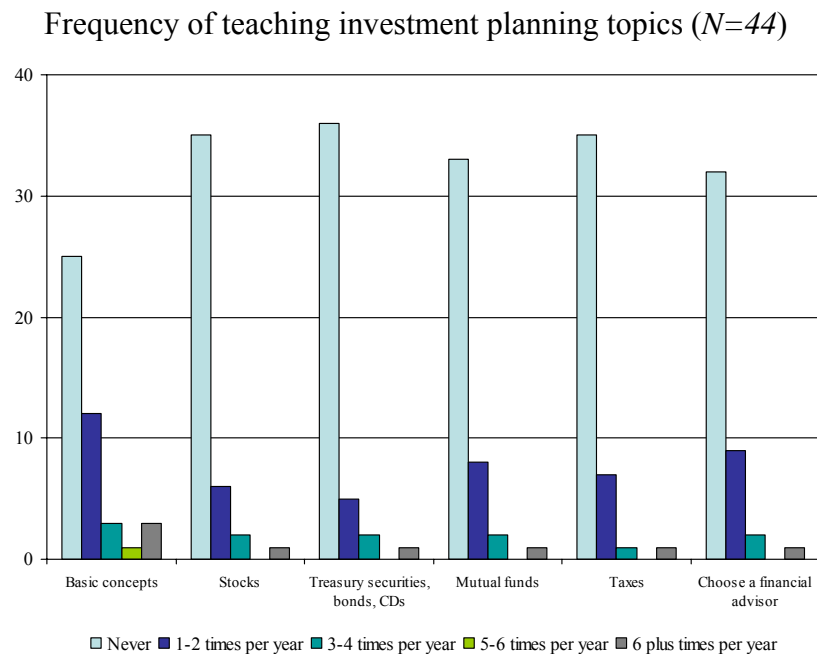
“Investment planning” literacy (N=44)



Most respondents never receive inquiries or questions on investment planning in their daily work. If inquiries happen, they deal with basic investment concepts.

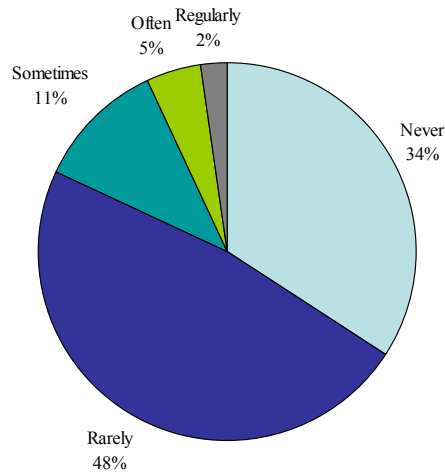


The majority of the respondents never teach investment planning topics (57% to 82%). In cases when it is taught, basic investment concept (27%) and how to choose a financial advisor (20%) are among the most popular topics.



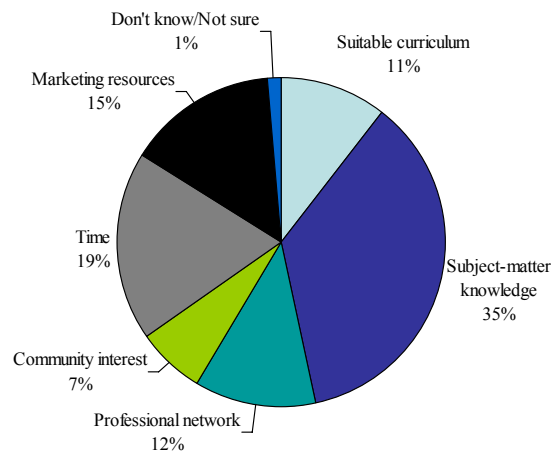
On an annual basis, respondents distribute on about one to five occasions during the year (47.7%) print materials or media releases on investment planning. About one third (34.1%) never hands out information on investment planning topics.

Distributing materials (N=44)



Almost two thirds of the respondents (61.4%) indicate lack of subject-matter knowledge as a reason for not teaching investment planning on a regular basis.

Hindrances for teaching (N=44)

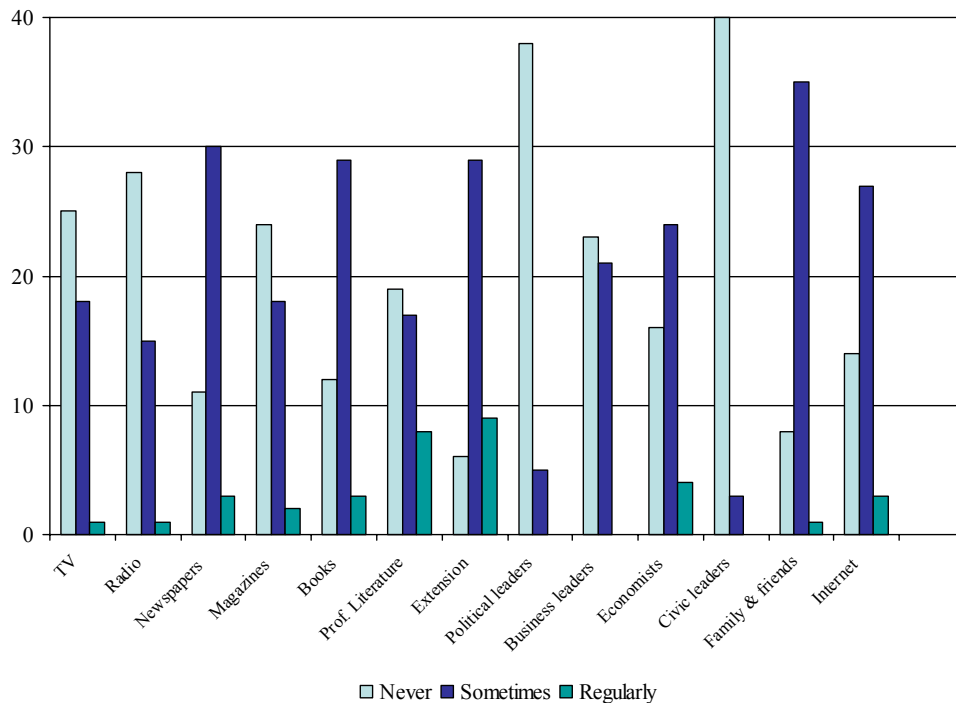


Many respondents provided additional information for why they are not teaching investment planning on a more regular basis. Examples of the answers to this open-ended question included:

- “Other institutions already offer that service/education”
- “The public doesn’t see Extension as knowledgeable in this area.”
- “I have been an educator in my county just over one year. I am aware of need, and am working to fulfill need for basic money management - but not investing.”
- “Not my area of specialization.”
- “Programs are already offered by Community College.”
- “The topic is overwhelming. I feel like it would take a LOT of time for me to get to a comfort level with the subject matter.”
- “I have elected to partner with more knowledgeable people when I have offered programming in advanced finance.”
- “Others in community doing it; I don't feel knowledgeable”
- “It is not a specific job responsibility.”

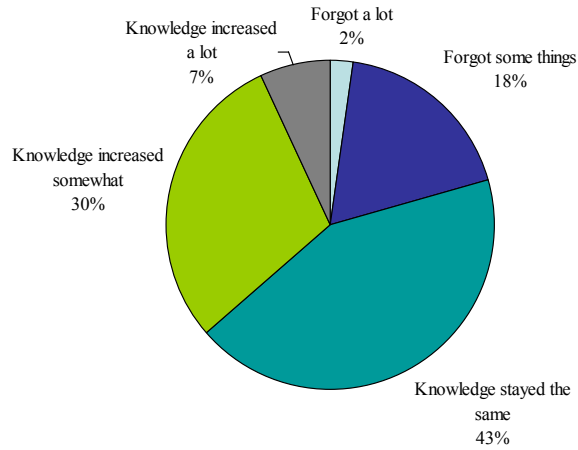
Respondents rely on discussions with family, friends, or coworkers (80%), newspapers (68%), books (66%), and extension materials (66%) to stay updated on investment planning.

Sources of information on investment planning (N=44)



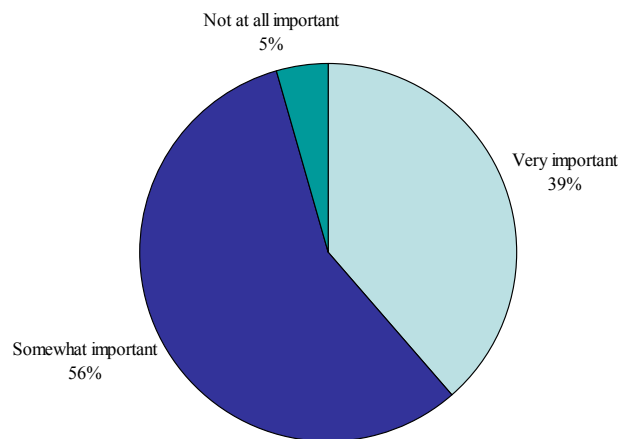
Over the past three years, the overall level of most respondents had stayed the same (43.2%). One third reported an increase in investment knowledge (36.3%).

### Knowledge changes (N=44)



An about equal number of respondents find it “very important” to increase their investment knowledge (38.6%).

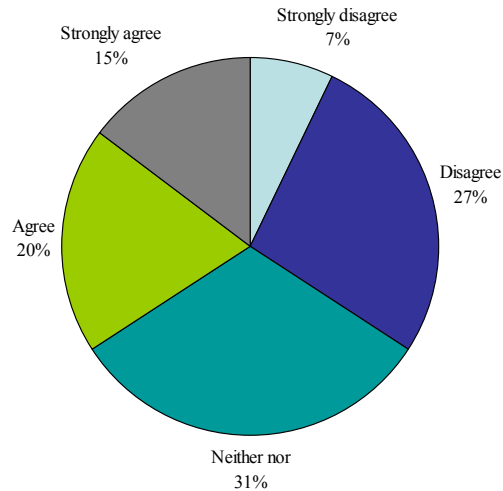
### Importance of knowledge (N=44)



### 3. Attitudes toward teaching investment planning

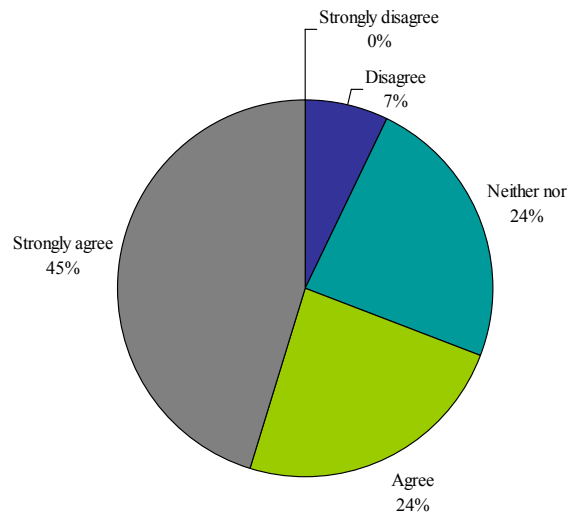
One third of the respondents (34.1%) agreed that retirement planning is a difficult topic to teach from them.

Retirement planning is a difficult topic to teach ( $N=41$ )



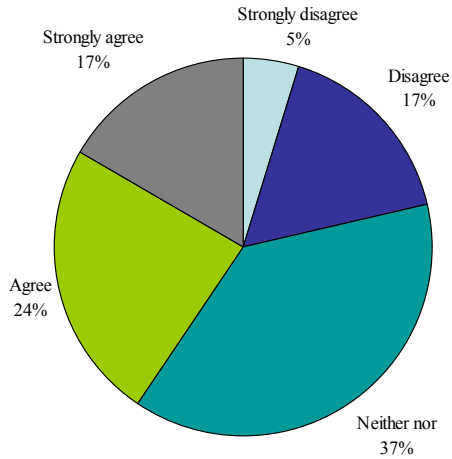
However, more than two thirds (69.0%) of the educators see a great need for learning about retirement saving in their community.

Great need for learning about retirement saving in community ( $N=42$ )



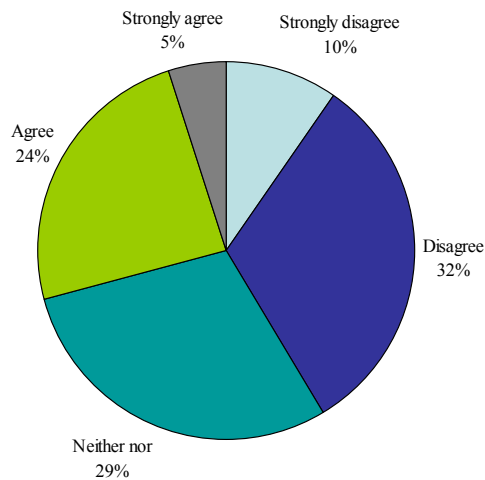
Less than half of the respondents (40.5%) try to stay updated on retirement savings topics.

Try to stay updated on retirement savings topics ( $N=42$ )



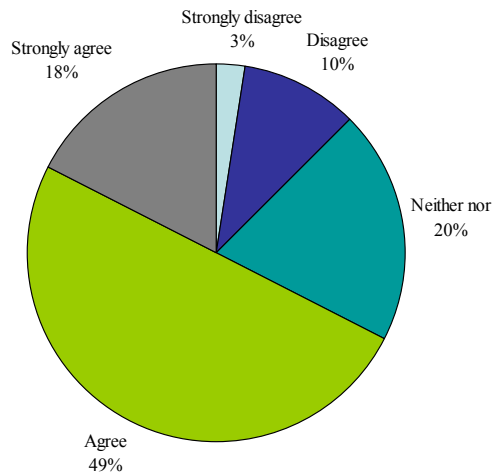
Almost one third of respondents (29.3%) find retirement plans too complicated to understand and to choose from.

Retirement plans too complicated to understand ( $N=41$ )



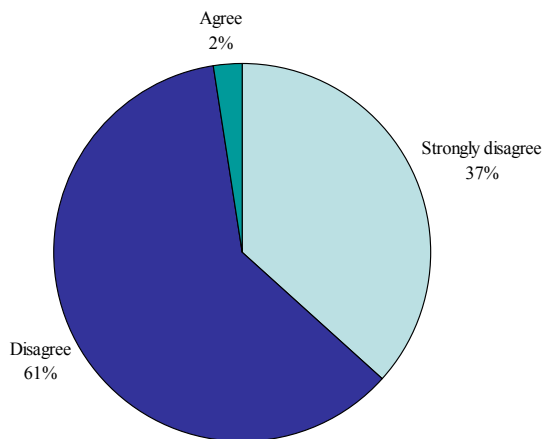
Two thirds of the respondents (67.5%) plan to attend workshops to learn more about retirement plan investments.

Plan to attend retirement planning workshops (N=40)



All but one respondent agreed that knowledge about one's own retirement plan is not adequate for teaching the topic to clientele.

Own retirement plans adequate for teaching topic (N=41)



#### 4. Investment knowledge

FCS educators' investment literacy was assessed with 10 basic market questions. The questions were taken from the 2003 NASD Investor Literacy Research study. For the NASD study, a total of 1,086 individual investors across the United States completed the survey.

Question	Correct answers		
	FCS educators	National sample	Δ
Definition of a stock	74%	79%	-5
Definition of a bond	69%	71%	-2
Relative safety of different kind of bonds	82%	84%	-2
Definition of a "junk bond"	42%	51%	-9
Relationship between bond prices and interest rates	41%	40%	+1
Definition of a "no load" mutual fund	23%	21%	+2
Relationship between risk and return	80%	72%	+8
Type of investment yielding best average return	46%	51%	-5
Reasonable long-term annual return from mutual fund	54%	40%	+14
Lack of insurance against stock market losses	44%	38%	+6

In sum, FCS educators scored eight percentage points higher than the average national sample. 44.1% of FCS educators, who answered the questions, responded to at least seven out of the ten basic market knowledge questions correctly. Counting missing responses, 31.3% of the respondents answered at least seven questions correctly, which is closer to the 35% of the national sample. Investment literacy varied among specific sub-groups.

Higher knowledge than the norm	% who answered 7 of 10 questions correctly	Lower knowledge than the norm	% who answered 7 of 10 questions correctly
Older (50+)	52.1	Younger (20-49)	27.3
Primary decision maker	57.1	Shared decision-maker	23.1
Add money	58.8	Maintain/take money out	31.3
Own mutual funds	51.8	Own no mutual funds	14.3
Regularly read financial publications	83.3	Never read financial publications	26.7

## **5. Conclusion**

The major findings of the survey are:

- Respondents indicate interest in trainings to learn about retirement planning.
- Extension publications are one of the major sources of investment information for the respondents.
- Respondents observe a great need for investment planning in their communities but they indicate limited subject-matter knowledge as major hindrance for not teaching investment planning.

In sum, the survey findings show that ongoing learning opportunities for educators and low-barrier teaching tools on investment planning, such as the interactive software game “Get Rich Slow” or the tools provided by the “America Saves” campaign, may best address both the need to offer programs on long-term financial planning in communities and to respond to educators’ comfort level in this subject-matter area.