



Empowering Our Greatest Asset

Impact of the Recession on the Need for Financial Literacy and Your Ability To Retire

*Presented at: DoD HR Worldwide Conference
Southbridge, MA*

*by: Kip Child, Community Affairs Specialist
Boston Office, Federal Deposit Insurance Corp.*

July, 2011



**2011 Worldwide Human
Resources Conference**

Department of Defense



Impact of the Recession on the Need for Financial Literacy and Your Ability To Retire

*Presented at: DoD HR Worldwide Conference
Southbridge, MA*

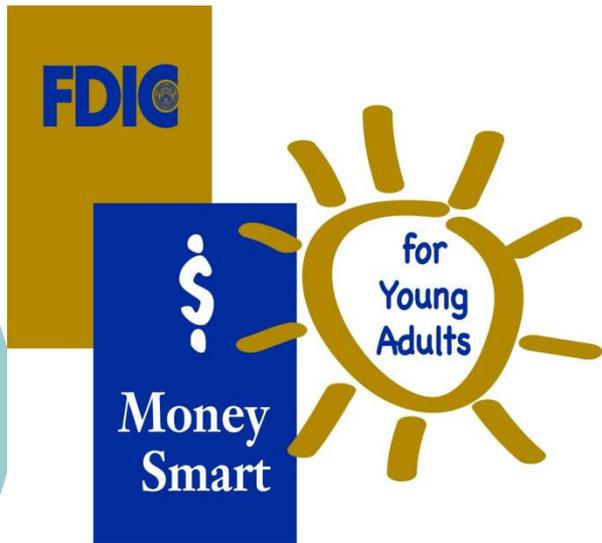
*by: Kip Child, Community Affairs Specialist
Boston Office, Federal Deposit Insurance Corp.*

July, 2011

*Nothing I say here today is to be construed as representing the FDIC's point of view, opinion, or position

What Does The Federal Deposit Insurance Corporation (FDIC) Do?

- Insures Deposits on Personal Accounts and IRAs up to **\$250,000**.
*(insures deposits in 7565 banks as of 5/05/11)
(down from 7942 banks as of 3/31/10)*
- Examines Banks for Safety and Soundness
(supervises 4257 banks as of 5/05/11)
- Examines Banks for compliance with consumer laws including the CRA (Community Reinvestment Act)
- Facilitates community development partnerships with financial institutions thru initiatives such as Financial Education & the Alliance for Economic Inclusion.



Money Smart

curriculum
developed in 2001



- Originated 2001. Revised 2010.
- Over 750,000 copies distributed
- Over 2.4 million consumers trained
- Over 1,600 organizations are members of the Money Smart Alliance

How Do I Get It?

<http://www.fdic.gov/moneysmart>

- Ten modules, *for instructors only*
- Order the Instructor CD in any of 9 languages -

FREE

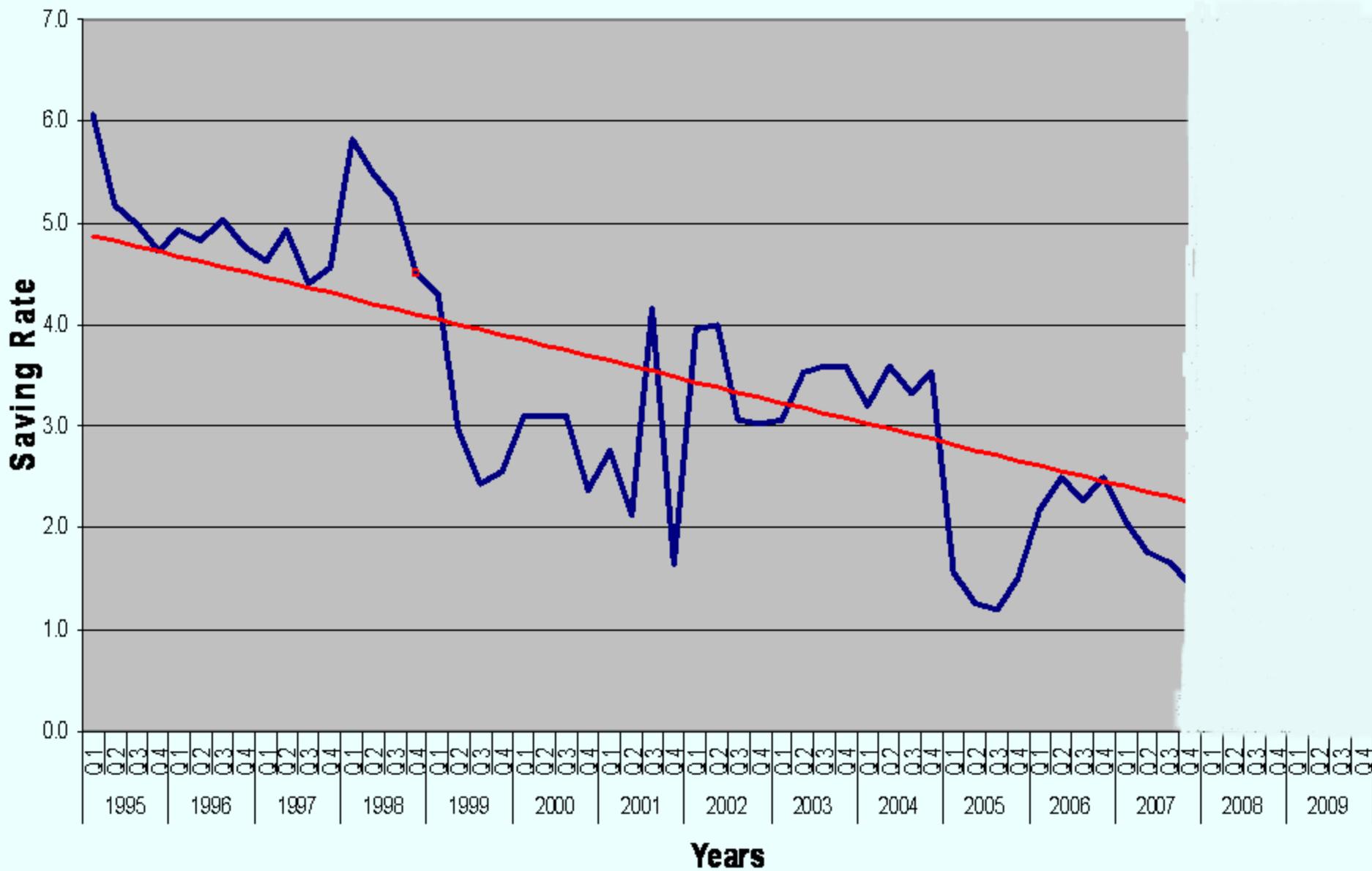
English
Spanish
Chinese
French Creole
Hindi
Hmong

Korean
Russian
Vietnamese
Large Print
Braille

Young Adult Version

- Computer-Based Instruction in English & Spanish only
- Or take the course online at the above address.
- Or listen on the *Money Smart Podcast Network (MSPN)*. Access provided at the above web site.

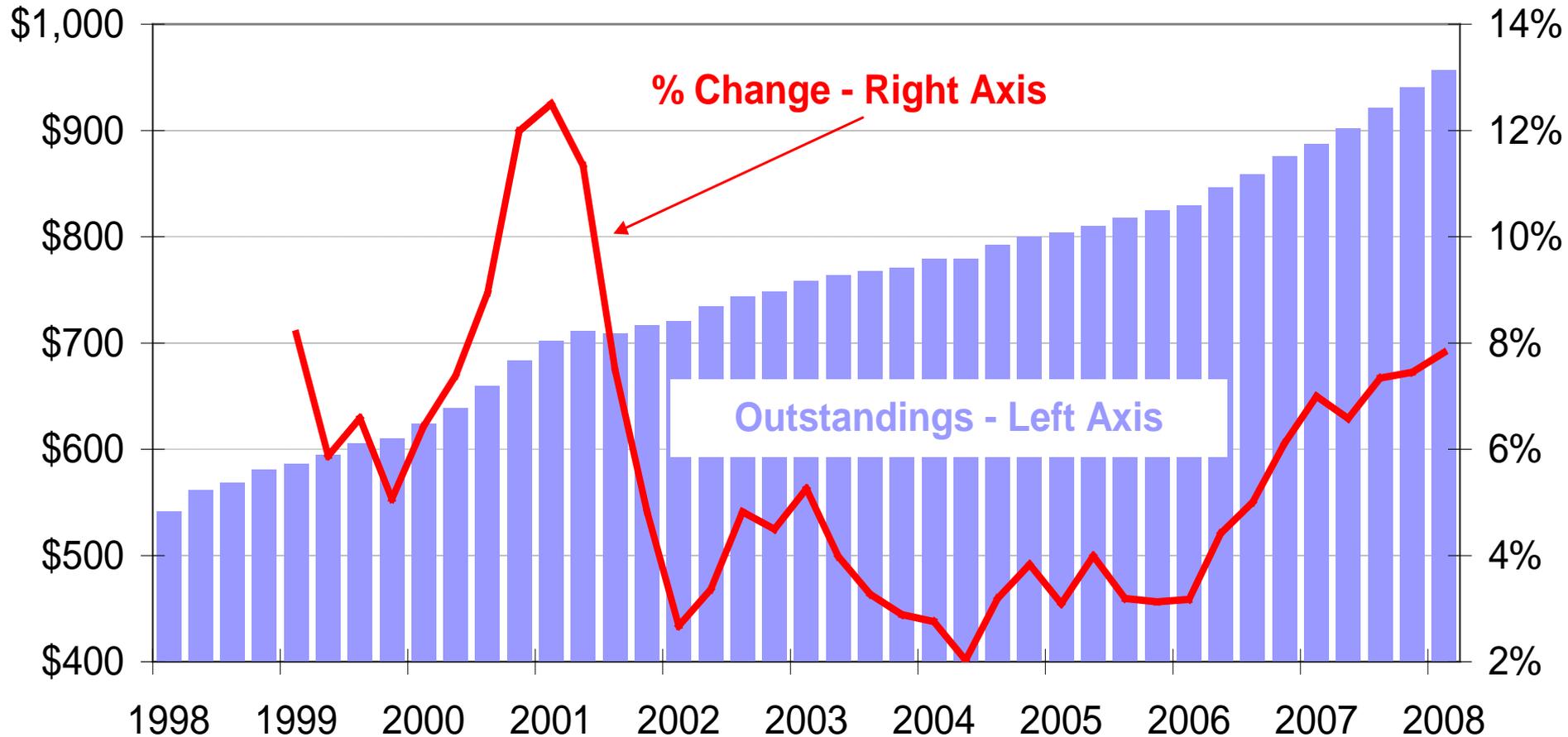
National Rate of Saving



Revolving Consumer Credit

Credit Outstanding
\$Billions

Year Over Year Change



Outstandings - Left Axis

% Change - Right Axis

Source: Federal Reserve Board

Total consumer debt (installment + revolving) = 2.46 trillion as of 6/07

Attention Home Owners Need Money?

REFINANCE NOW!!

* Pay off Debt and Save hundreds if not thousands per month!!!

1.99%
ARM
AVAILABLE

***FREE APPRAISAL**

Received via fax on 10/25/07

NO PAYMENTS
TIL' 2008

LOAN	PAYMENT
\$300,000	\$1,107.36
\$500,000	\$1,845.60
\$700,000	\$2,583.84
\$1,000,000	\$3,691.20
\$1,000,000+	call for payment

*PROGRAMS

- Debt Consolidation*
- 100% Financing*
- Bankruptcy OK*
- Foreclosure OK*
- Unlimited Cash Out*
- No Income Verification*

Many other programs available. Please call for details.

30 YEAR FIXED
AS LOW AS
5.75%
RATE
APR 6.00%

Read between the
lines in all ads.

COMMERCIAL LOANS AVAILABLE
ASK ABOUT OUR CREDIT RESTORATION MORTGAGE LOANS

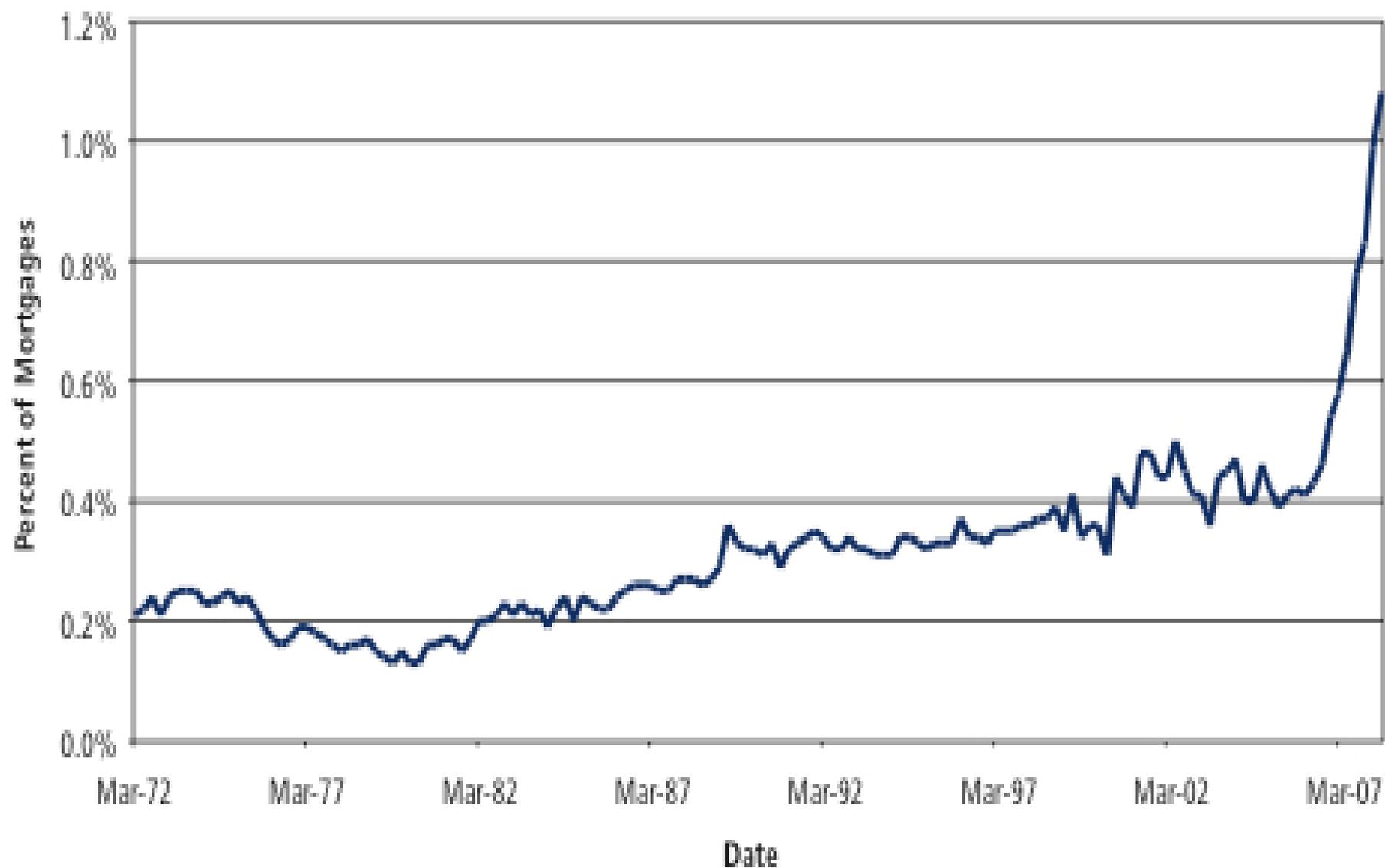
800-993-5307

* Upon loan closing. On approved loan programs only. Restrictions may apply.

Rates and programs are subject to change without notification

If you received this fax in error, and would like to be removed from our database, Call toll-free 800-993-5317

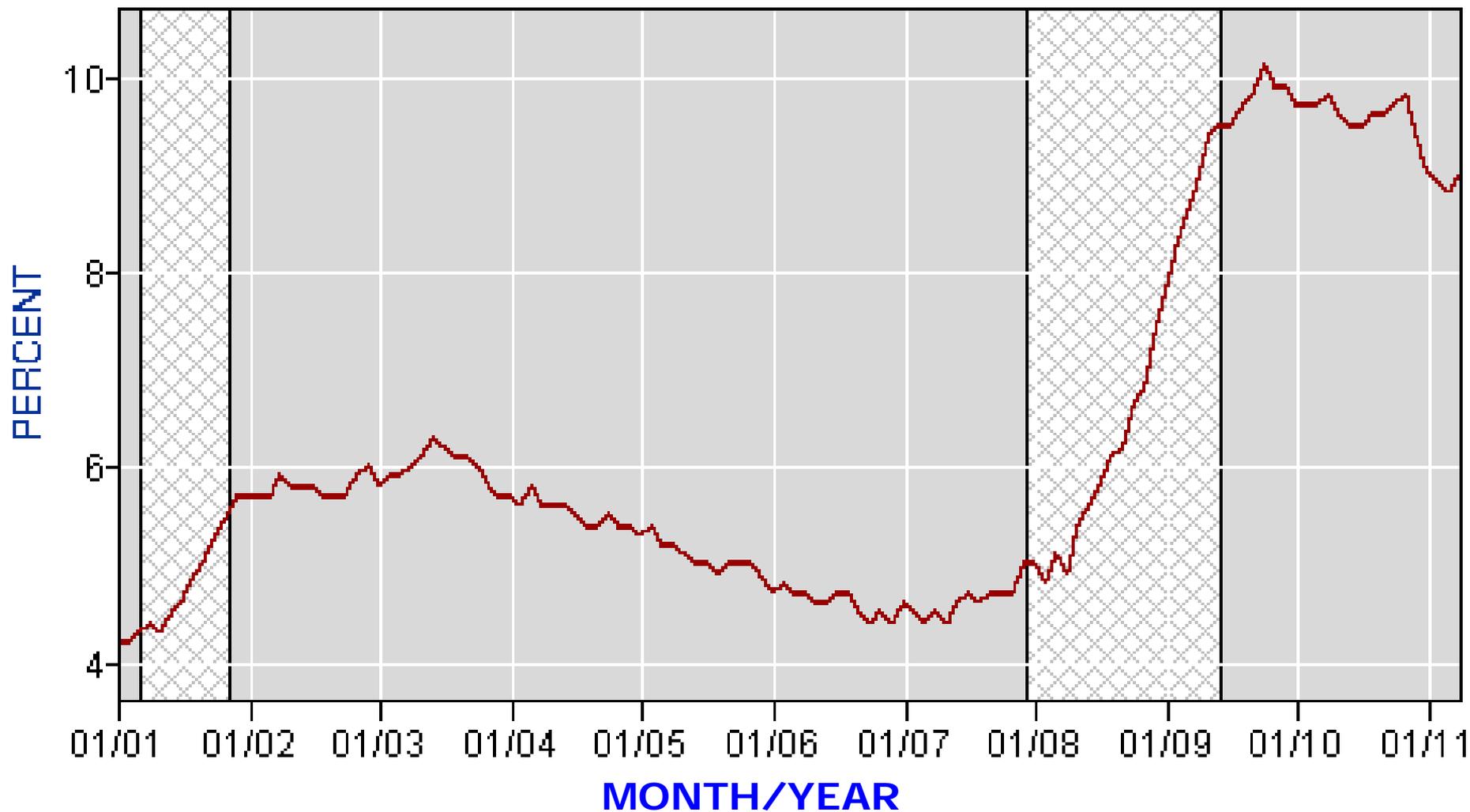
SHARE OF MORTGAGES, WHERE FORECLOSURE HAS BEEN STARTED, 1972 TO 2008



Source: Mortgage Bankers Association, 2008, National Delinquency Survey, Washington, D.C.: MBAA.



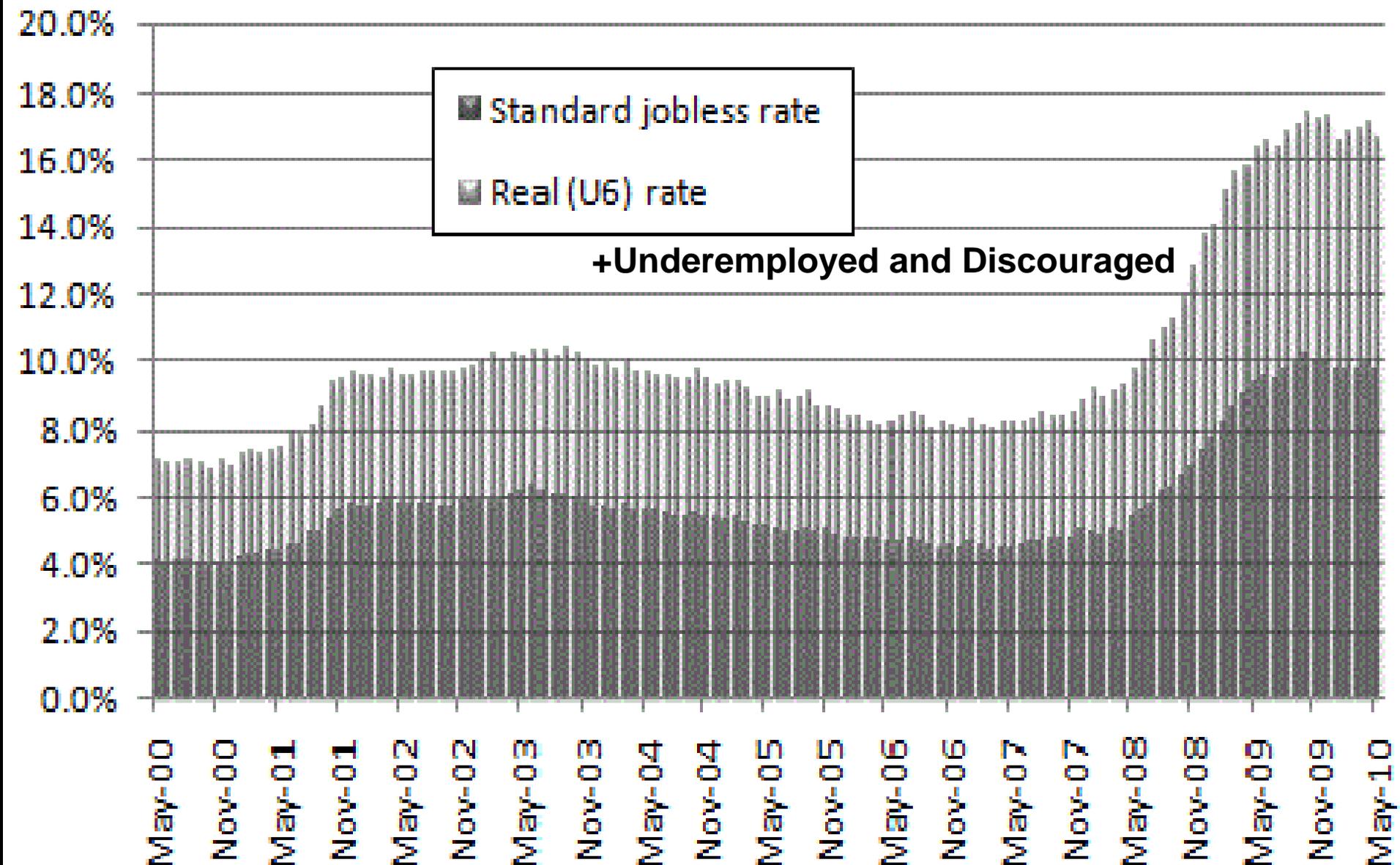
Unemployment rate (seasonally adjusted)



Source: Bureau of Labor Statistics

http://data.bls.gov/pdq/SurveyOutputServlet?request_action=wh&graph_name=LN_cpsbref3

The real jobless rate



+Underemployed and Discouraged

MONEY ORDERS 79¢

CHECKS CASHED

Egleston Sq, Roxbury

CHECKS CASHED

PASSES SOLD HERE

MONEY ORDERS

UTILITY PAYMENTS



Household

LOAN USA
AMERICA'S PAWN SHOP
LOAN MORE & SELL FOR LESS

Lawrence, MA

Braintree, MA

LOAN USA



NON-TRADITIONAL FORMS OF FINANCIAL INSTITUTIONS

Borrowing Basics

Types of Expensive “Specialty” Loans

These loans are discussed in other modules, but can be mentioned with a note of caution when discussing the basics of borrowing.

- **Rent-To-Own**
- **Payday Loan**
- **Title Loan**
- **Refund Anticipation Loan**

Statistics Tell Us that Alternative Financial Services are Important and Necessary to the Community

7.7% of Households (9 million) are unbanked

17.9% of Households (21 million) are underbanked

46.9% of the 9 million unbanked have never had a bank account

State	All Households		Unbanked		Underbanked	
	#(000)	%	#(000)	%	#(000)	%
UT	902	100	15	1.7	137	15.2
NH	524	100	12	2.2	63	12.1
ME	550	100	14	2.6	99	18.0
MA	2637	100	108	4.1	302	11.4
VT	256	100	11	4.2	31	12.1
CT	1374	100	73	5.3	190	13.8
MS	1118	100	184	16.4	282	25.2
All States	118574	100	9085	7.7	21276	17.9

How Your Credit Report Is Used

Information in your credit report may determine whether you will:

- Get a loan or other form of credit.
- Get a job.
- Rent an apartment.
- Get insurance.



You've seen the commercials... now get America's #1* Free Online Credit Report!

See it online – print it out if you'd like!
Includes your FREE Experian[®] Credit Score!

*According to comScore MediaMatrix 2.0

When you order your free report here, you will begin your free trial membership in Triple AdvantageSM Credit Monitoring. If you don't cancel your membership within the 7-day trial period, you will be billed \$14.95 for each month that you continue your membership.

IMPORTANT INFORMATION

When you order your free report here, you will begin your free trial membership in Triple AdvantageSM Credit Monitoring. If you don't cancel your membership within the 7-day trial period[™], you will be billed \$14.95 for each month that you continue your membership.

ConsumerInfo.com, Inc. and Freecreditreport.com are not affiliated with the annual free credit report program. Under a new Federal law, you have the right to receive a free copy of your credit report once every 12 months from each of the three nationwide consumer reporting companies. To request your free annual report under that law, you must go to www.annualcreditreport.com.

Check your Report

See who's been checking your credit. Look for potential inaccuracies and unauthorized activity.

We'll closely monitor your credit. Experian[®] Equifax[®] and TransUnion[®] Credit Reports will be available every day.

...usually mean... could save you

[™]Monitoring with Experian begins within 48 hours of enrollment in your free trial. Monitoring with Equifax and TransUnion takes approximately 4 days to begin, though in some cases cannot be initiated during your trial



Your Approval is Guaranteed! Regardless of your credit.



Desktop Computers

Get a brand new, brand name desktop computer package with low weekly payment plan.



Laptop Computers

Want a computer you can take with you wherever you go? Check out our brand new laptops.



Plasma Television

Nothing says "fun" like high definition - ultra thin Plasma TV. You deserve the true home theater experience.



Learn more about BlueHippo

We are an innovative and diversified financial services company.

[Privacy Policy](#) | [Terms of Use](#) | [Corporate Information](#) | [Site Map](#)

Legal Copyright 2007 BlueHippo Capital, LLC All Rights Reserved

Our Guaranteed Approval Program

Unlike other financial companies, we don't check your credit and measure you based on some score. Instead, all we ask is that you build a little credit history with us by paying a small, one-time initial payment and 52 weeks of layaway payments. However; once you've paid as agreed for just 9 consecutive weeks, we'll offer to finance* the balance of your purchase price, order your computer and have it shipped directly to your home.

It's that simple.

Learn how you can get one here



What's a FICO® Score?



Official FICO®
Score Seal

36 Month Auto Loan

FICO® score	APR [?]	Monthly payment
720-850	6.059%	\$761
690-719	7.625%	\$779
660-689	8.608%	\$790
620-659	10.997%	\$818
590-619	14.306%	\$858
500-589	15.203%	\$869

Identifying Levels of Subprime

	A	B	C	D	Predatory
FICO Credit Score	700's	<700-600	<650-450	500-400	Bad Credit Low Income Minority/Immigrant Elderly
Lates, Collections, Bankruptcy	0	1-3	2-4, CO, Collect	Multiple	"Bad Credit OK" "No verification"
Fees	Known @ Appl	More, Higher	Borders on Excessive	AMAP	"No Fees" "No Problem" "Free"
Rates	Standard Published	+1-5 points	5+ ?		"It will only cost you \$ per week"
APR	Disclosed	Disclosed	Maybe (subject to T&C)		Not Mentioned

Credit Cards

“Let Me Count The Ways”

- Cash cards
- Smart cards
- Stored value cards
- Secured
- Unsecured
- Gold Cards, Platinum Cards, etc.
- Reward Cards
- Pre-Approved cards
- Affinity Cards

Credit Card Facts

The average graduate student has 6 credit cards and one in 7 owes more than \$15,000.

A typical credit card purchase will cost 112% more than if cash was used.

- People using credit cards for fast food usually spend 50% more than if they paid cash. (Total = \$51 Billion in 2006)
- Average credit card debt among all American households is about \$8,400.
- The average interest rate on credit cards is 14.3%
- In 2004 the credit card industry took in \$43 billion in card fees (not interest)

Average Credit Card Rates

	<u>Avg. APR</u>	<u>Last Week</u>	<u>6 Months ago</u>
<u>National Average</u>	14.84%	14.83%	14.68%
Low Interest	10.73%	10.73%	11.91%
Balance Transfer	12.78%	12.76%	12.82%
Business	13.07%	13.07%	12.91%
Student	13.77%	13.77%	13.31%
Cash Back	13.90%	13.87%	12.48%
Reward	14.41%	14.40%	14.34%
Airline	14.31%	14.24%	14.24%
Instant Approval	15.99%	15.99%	15.99%
Bad Credit	24.96%	24.96%	24.95%

Source: CreditCards.com; Updated: 06-22-11



Budgeting is More Than Putting Numbers on Paper

- **A Vision**
- **Goals**
- **Objectives**
- **Understanding Needs vs Wants**
- **Spending Priorities**
- **Discipline/Commitment/Motivation**
- **Fortitude**

You Must Write It Down

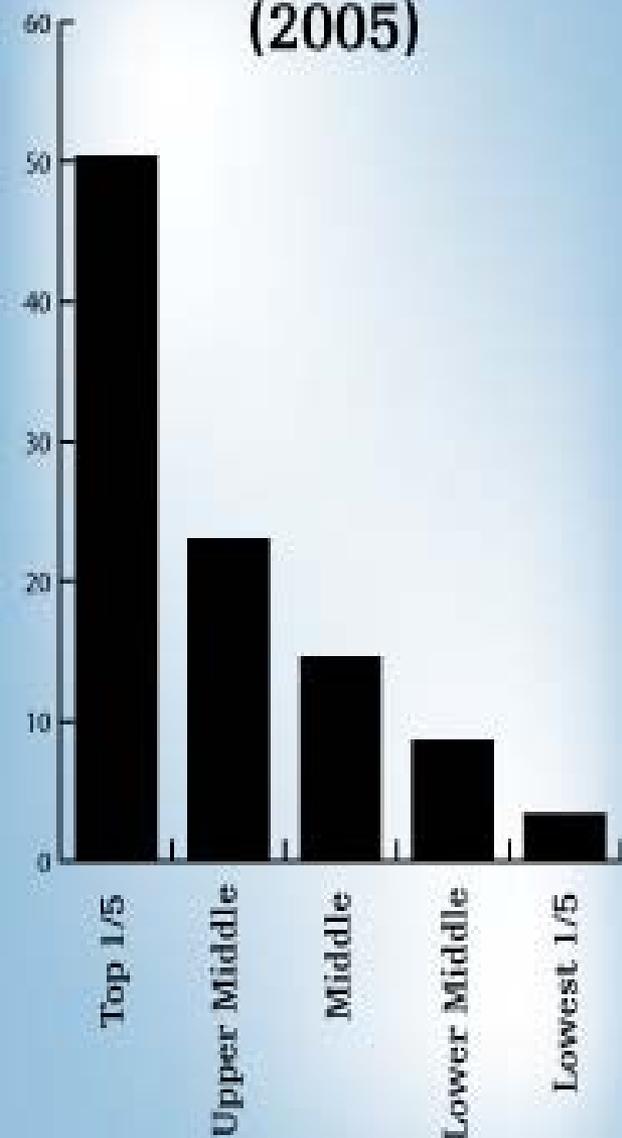
The Glue

Improving financial understanding gives people the knowledge, skills and the tools to make wise financial decisions, and acquire, build and **retain** assets

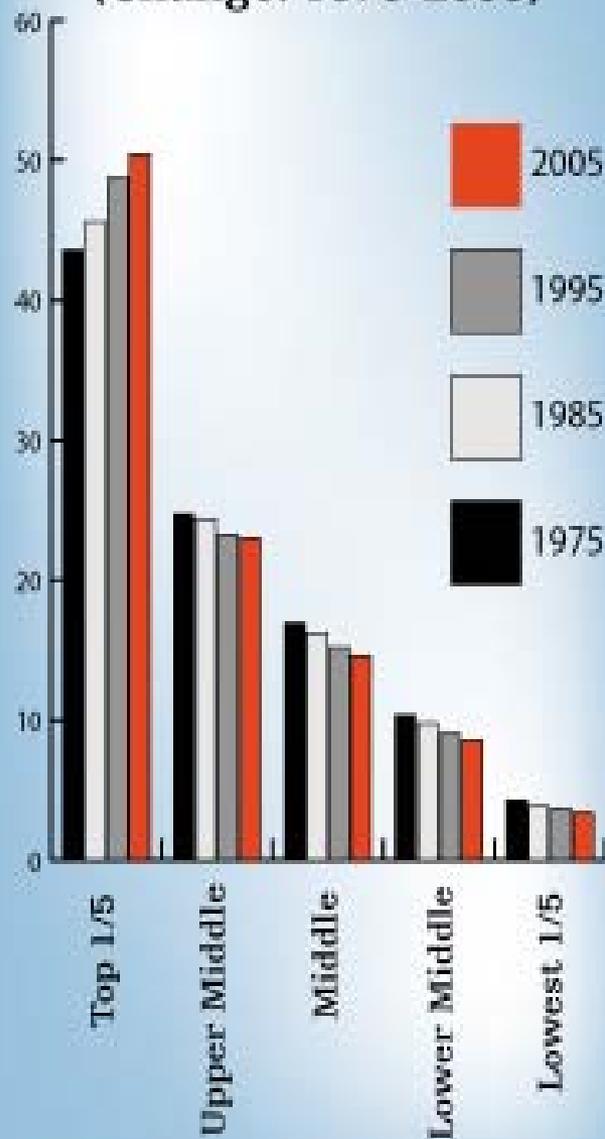


- More important now than ever, because of:
 - **Increased Complexity of products**
 - **Aggressive Marketing of products**
 - **Your future will depend a lot on your level of financial knowledge**

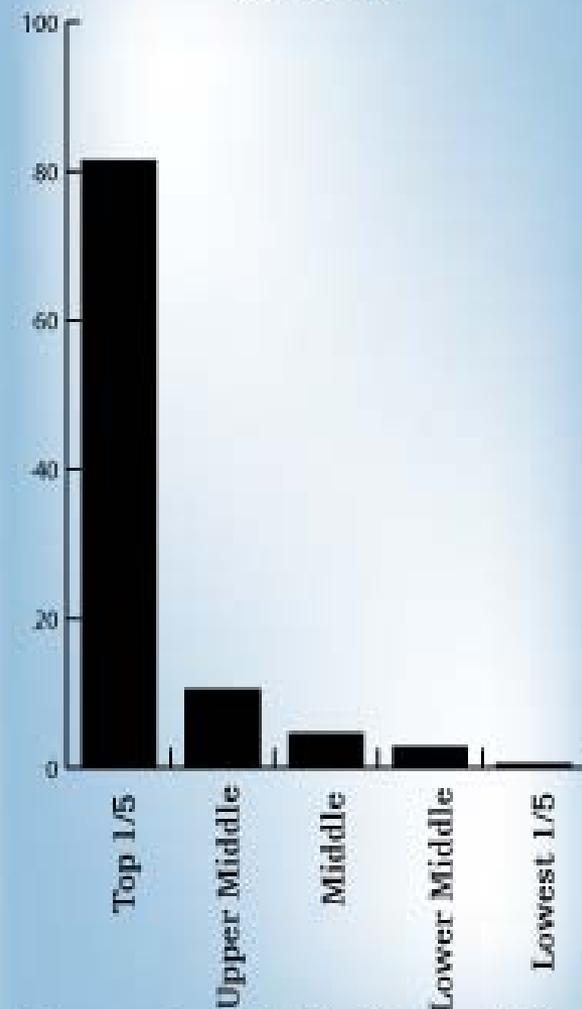
Share of National Income (2005)



Share of Household Income (Change: 1975-2005)



Share of Net Worth (2004)



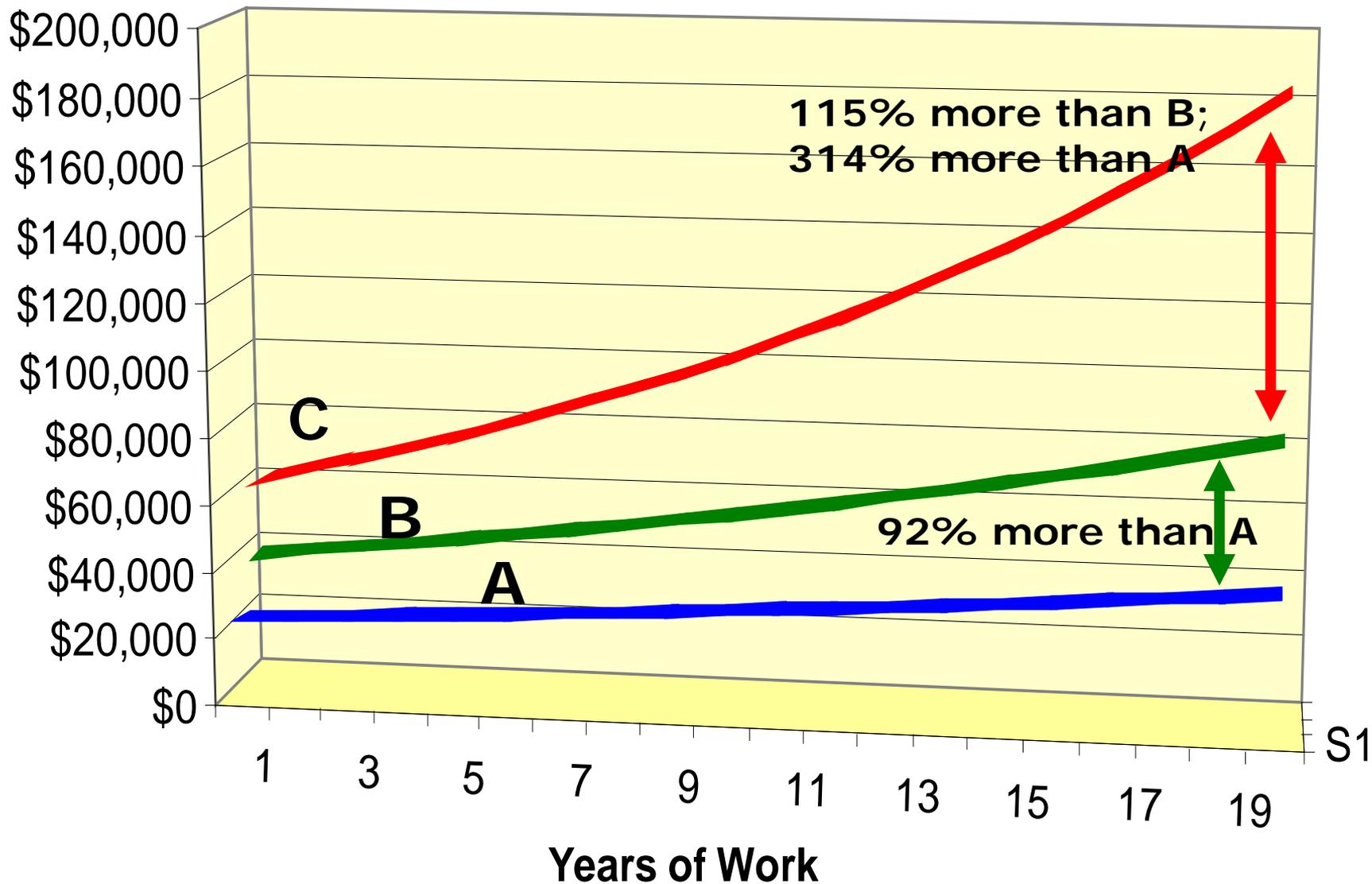
Sources: Census, Federal Reserve Bank, Economy.com

Sources: Census, Federal Reserve Bank, Economy.com

Source: Bureau of Census

Reprinted from the NPR series: **Haves and Have-Nots: Income Inequality in America (2/5/07)**

Compound Income Growth



Personal Saving Rate (PSAVERT)

Source: U.S. Department of Commerce: Bureau of Economic Analysis



Shaded areas indicate US recessions.

2010 research.stlouisfed.org

And The Survey Says ...

Eight in 10 teens aged 13-18 agree that "it's important to me to have a lot of money in my life," and nearly three-quarters (73%) believe they'll be earning "plenty of money" when they're out on their OWN. [Charles Schwab & Co., 2007 Teens & Money survey.]

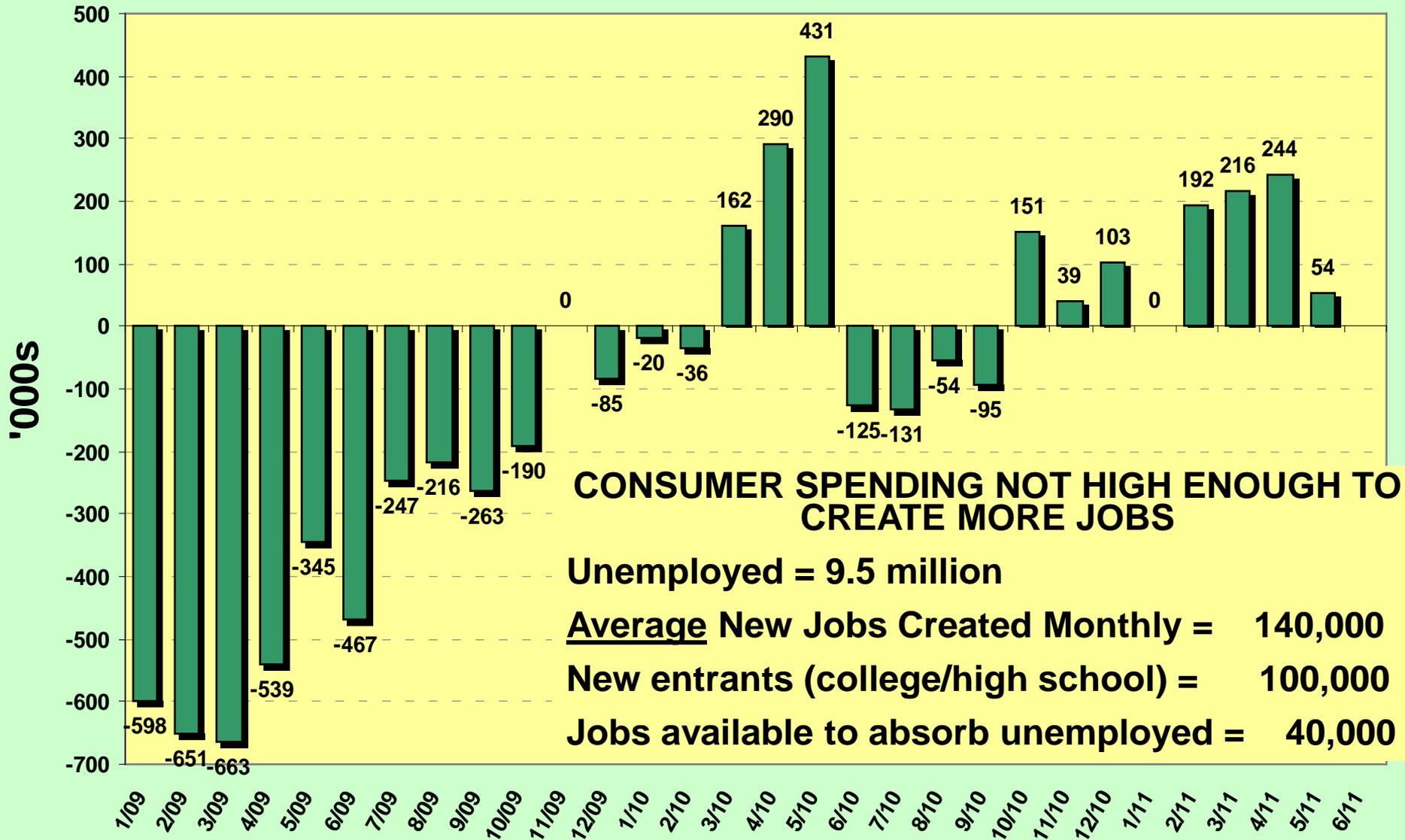
- American teens confidently predict a future in which, based on the career that interests them most, they will be earning an average annual salary of \$145,500 (boys expect \$173,000 v. \$114,200 for girls). [Charles Schwab & Co., 2007 Teens & Money survey.]

- Parents cite the following topics as being more important for their kids, compared to when they were teens.

Budgeting 63%; Credit Card Management 55%;
Investing 49%; Retirement Planning 41%

[Charles Schwab & Co., 2008 Parents & Money survey.]

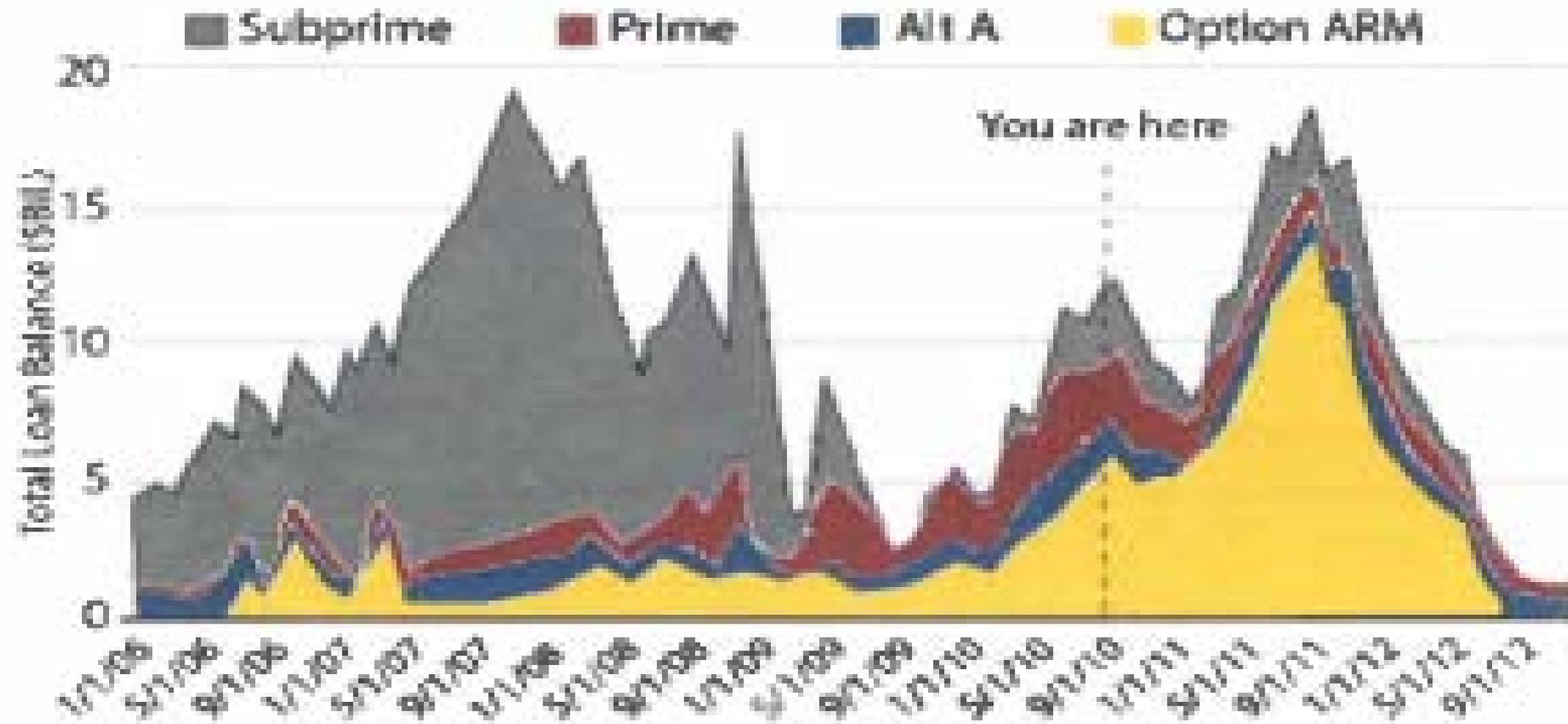
Net Jobs Created 2009-2011



Source: Bureau of Labor Statistics (CES)

The Mortgage Reset Monster, 2010 Edition

Subprime resets crushed the housing market in '07 and '08. Now a new wave of adjustable-rate mortgage resets is just around the corner.

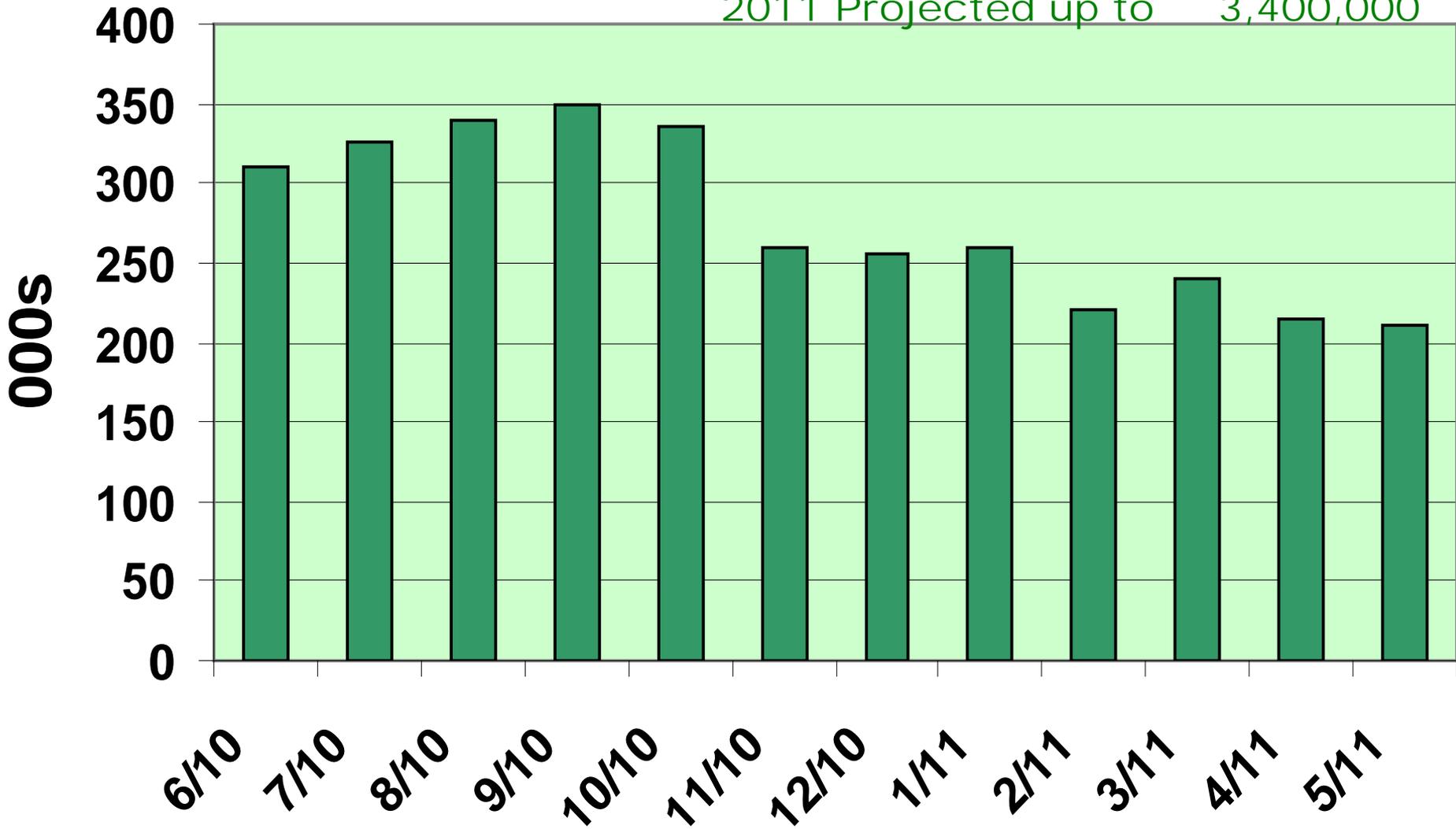


Source: F2 Partners

WWW.AGORAFINANCIAL.COM

Monthly Foreclosures

Foreclosed 6/20/2011 = 1,719,000
2011 Projected up to 3,400,000

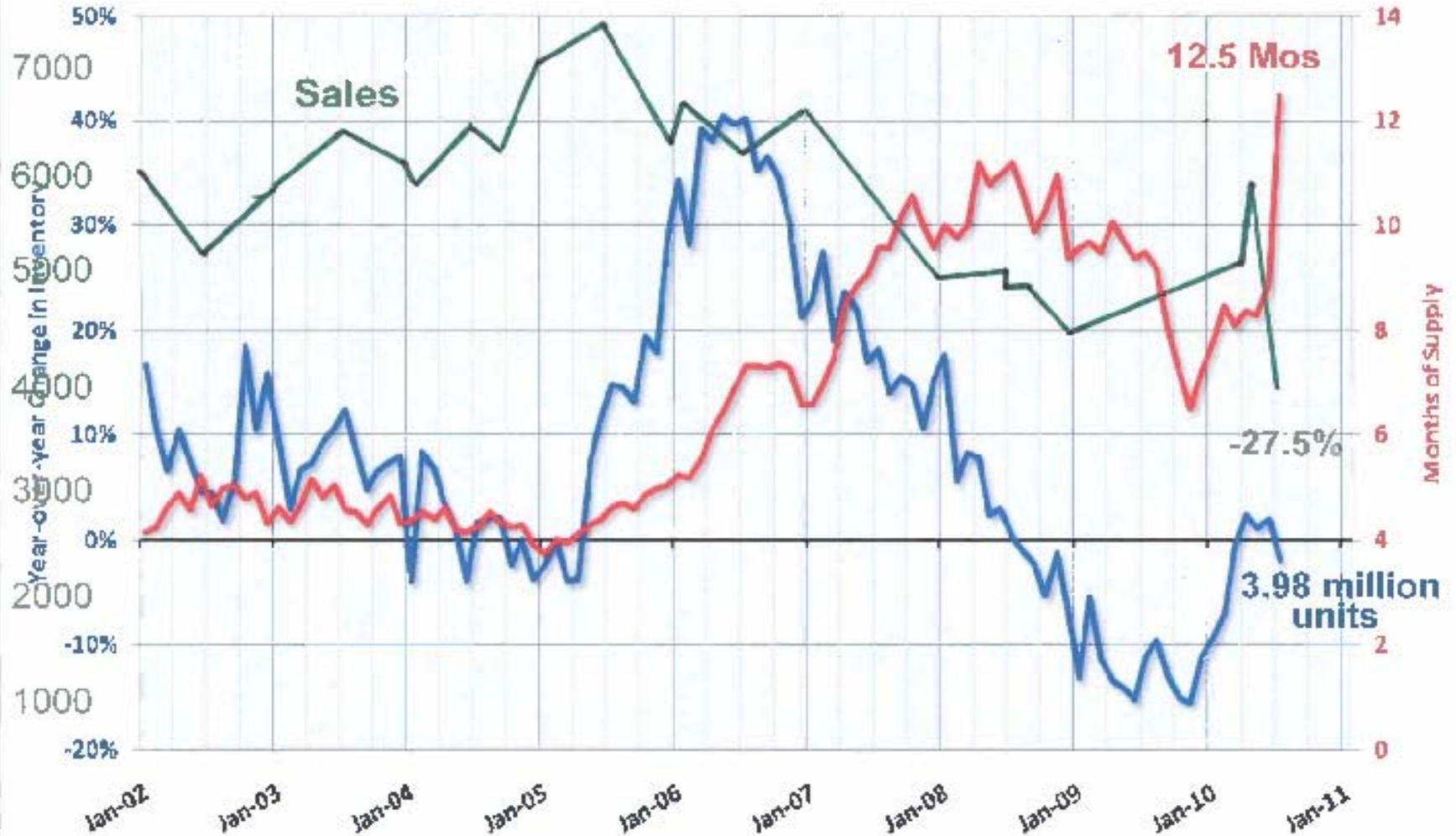


Existing Sales

Existing Home Inventory

7/31/10

— YoY Change in Inventory — Months of Supply



3.98 million units

We Buy Houses
804-346-0882
AnyHouseAnywhere.com

REFINANCE YOUR MORTGAGE!
CONSOLIDATE YOUR DEBT
RATES AS LOW AS 4.5%
AND RECEIVE A 2 DAY CLOSING!
833-7999

**GOOD CREDIT?
BAD CREDIT?**
Purchase or Refinance
0 DOWN!
Rates As Low As 1.99%
804-301-0804

Own Your Own Home!
WHY RENT?
GOOD / BAD CREDIT
AND RECEIVE A 2 DAY CLOSING!
777-9711

WE BUY HOUSES
We'll buy/lease your house in 7 days or less

909-555-3347
24 hour recorded message

WE BUY HOUSES
Instant Cash
800-707-1208

Cash For Houses
Any Condition
Any Situation
877-272-7272
BuyAVAHome.com

WE BUY HOUSES
804-405-6094
Fast Cash!

Be Careful To Which Company You Send Money

- [***www.2009ObamaMortgageReliefPlan.com***](http://www.2009ObamaMortgageReliefPlan.com)

Lower Payments. Rates As Low As 2%.
Free Consultation. Contact Us Today.
- [***www.Homeowner-Bailout-Programs.org***](http://www.Homeowner-Bailout-Programs.org)
- [***www.Government-Modification.org***](http://www.Government-Modification.org)
- [***www.LoanSolutionAdvisors.com***](http://www.LoanSolutionAdvisors.com)
- [***www.FreeLoanModInfo.net***](http://www.FreeLoanModInfo.net)
- [***www.get-a-loan-modification.com***](http://www.get-a-loan-modification.com)
- [***www.loan-modification-attorneys.com/***](http://www.loan-modification-attorneys.com/)
- [***www.federalloanmodification.com/***](http://www.federalloanmodification.com/)

Do You Have Clients Searching for an REO Home?

www.bankofamerica.reo.com/search/propertysearch.aspx

Bank of America REO (+Countrywide)

○ corelistings.cbre.com

CB Richard Ellis listings

○ www.homepath.com

Fannie Mae Real Estate Owned

○ www2.fdic.gov/drrore/index.asp *and*

○ www.fdiclistings.com

FDIC REO (2166 properties)

○ www.homesteps.com

Freddie Mac REO

○ www.homesales.gov/homesales/mainAction.do

HUD, VA listings

○ www.massaccesshousingregistry.org

Mass Access Housing Registry

○ www.realtytrac.com/mapsearch

Realty Trac Listings & Pre-foreclosure

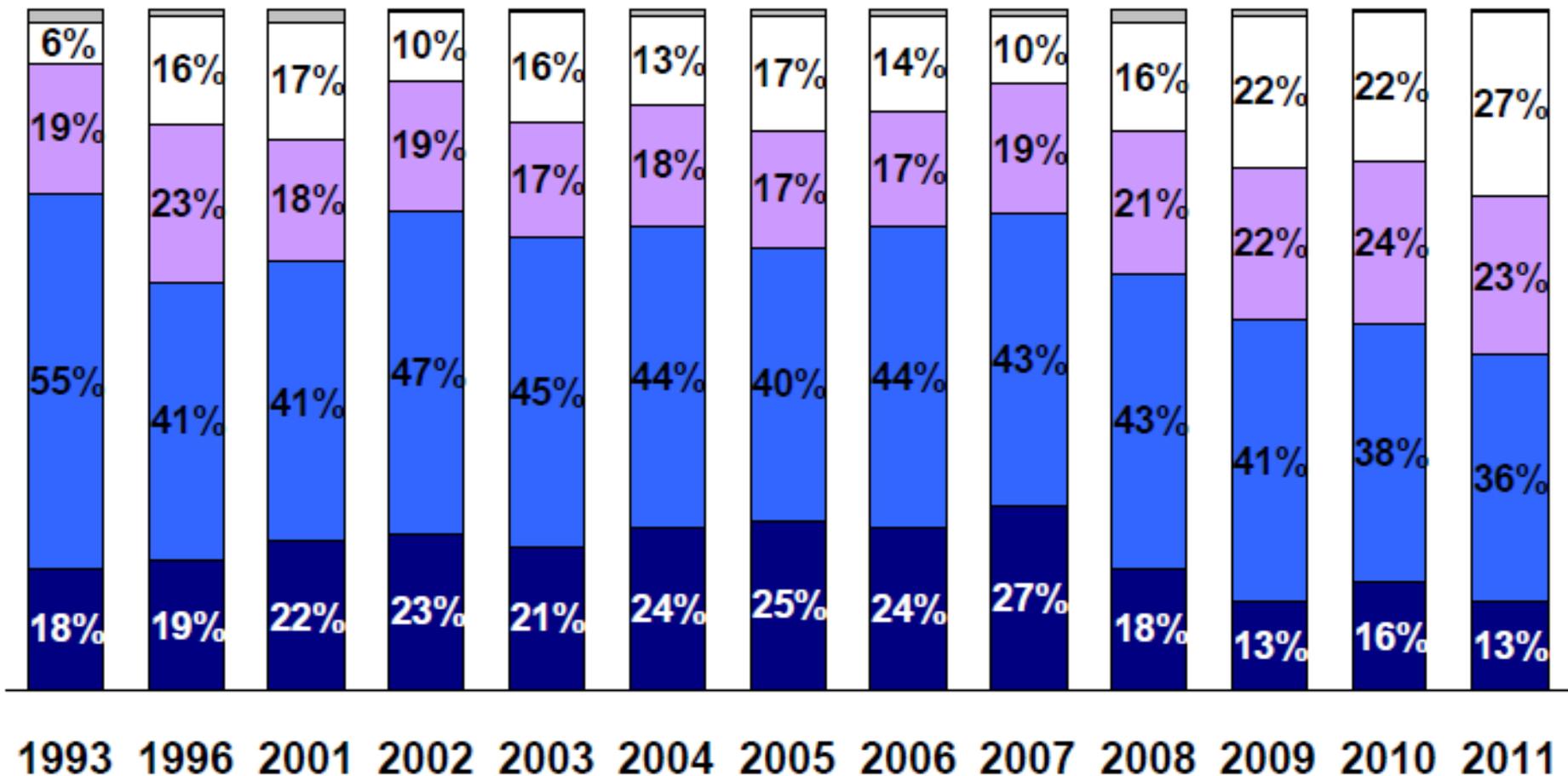
○ www.resales.usda.gov

USDA Rural Development

Worker confidence in having enough money for a comfortable retirement is at a new low.

2011 Workers n=1004

■ Very ■ Somewhat ■ Not Too ■ Not At All ■ Don't Know/Refused



Targeted Savings Rate To Replace 85% of Pre-retirement Income

Example: If you are 40 years old, your savings factor is 2.0. Therefore, if you make \$40,000 per year, you should have \$80,000 saved for retirement. In reverse, divide the amount you have saved by your annual income and compare the resulting percentage with the savings factor for your age bracket to determine whether you are on target or behind your target.

Age	% Savings Factor
30	0.3
35	1.1
40	2.0
45	3.2
50	4.5
55	6.2
60	8.2
65	10.6

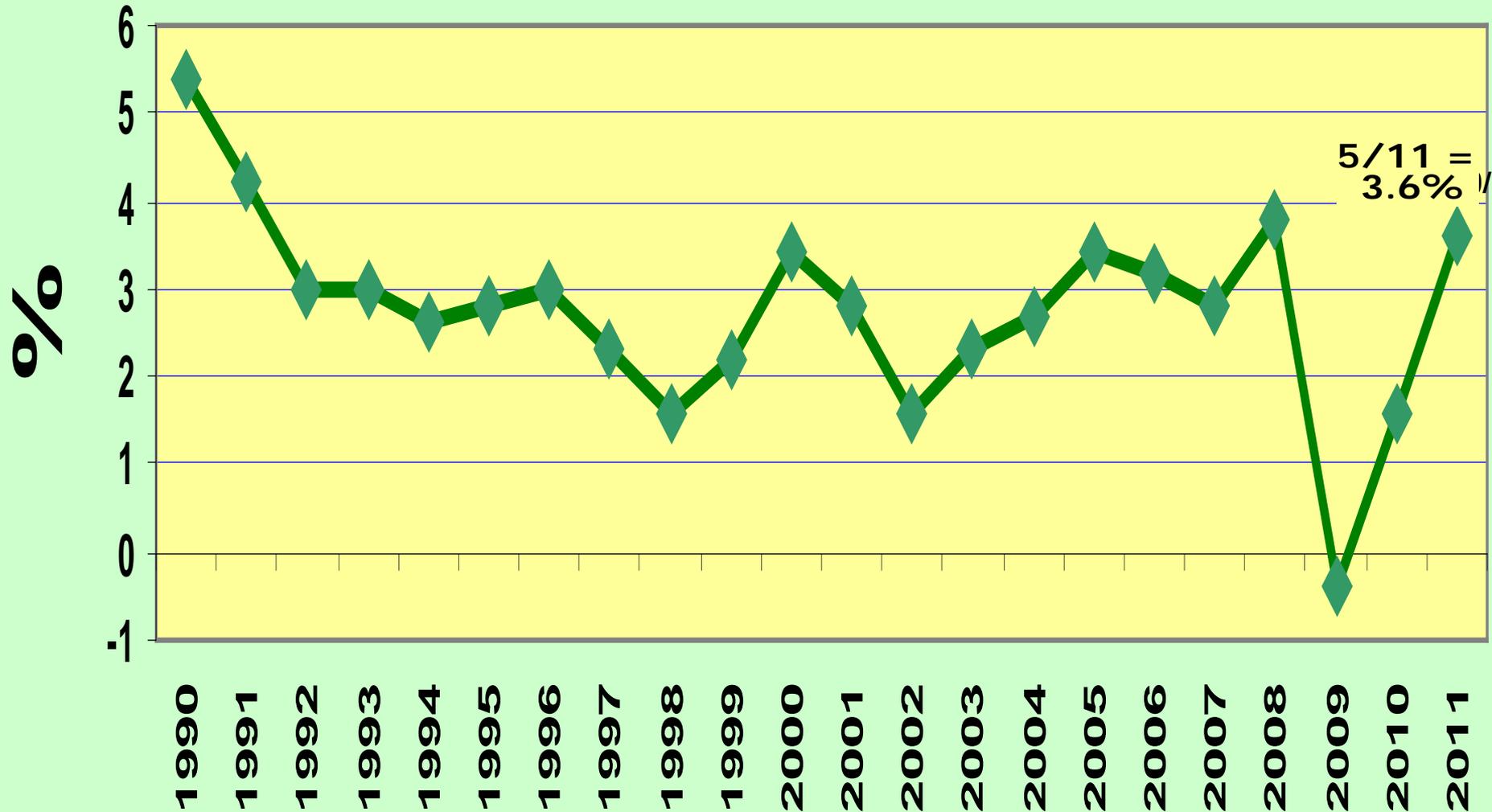
**Going Forward
\$100 Banked
Today**

**Will Only
Purchase**

2011	\$100.00
2012	\$97.22
2013	\$94.52
2014	\$91.89
2015	\$89.34
2016	\$86.85
2017	\$84.44
2018	\$82.09
2019	\$79.81
2020	\$77.59
2021	\$75.43

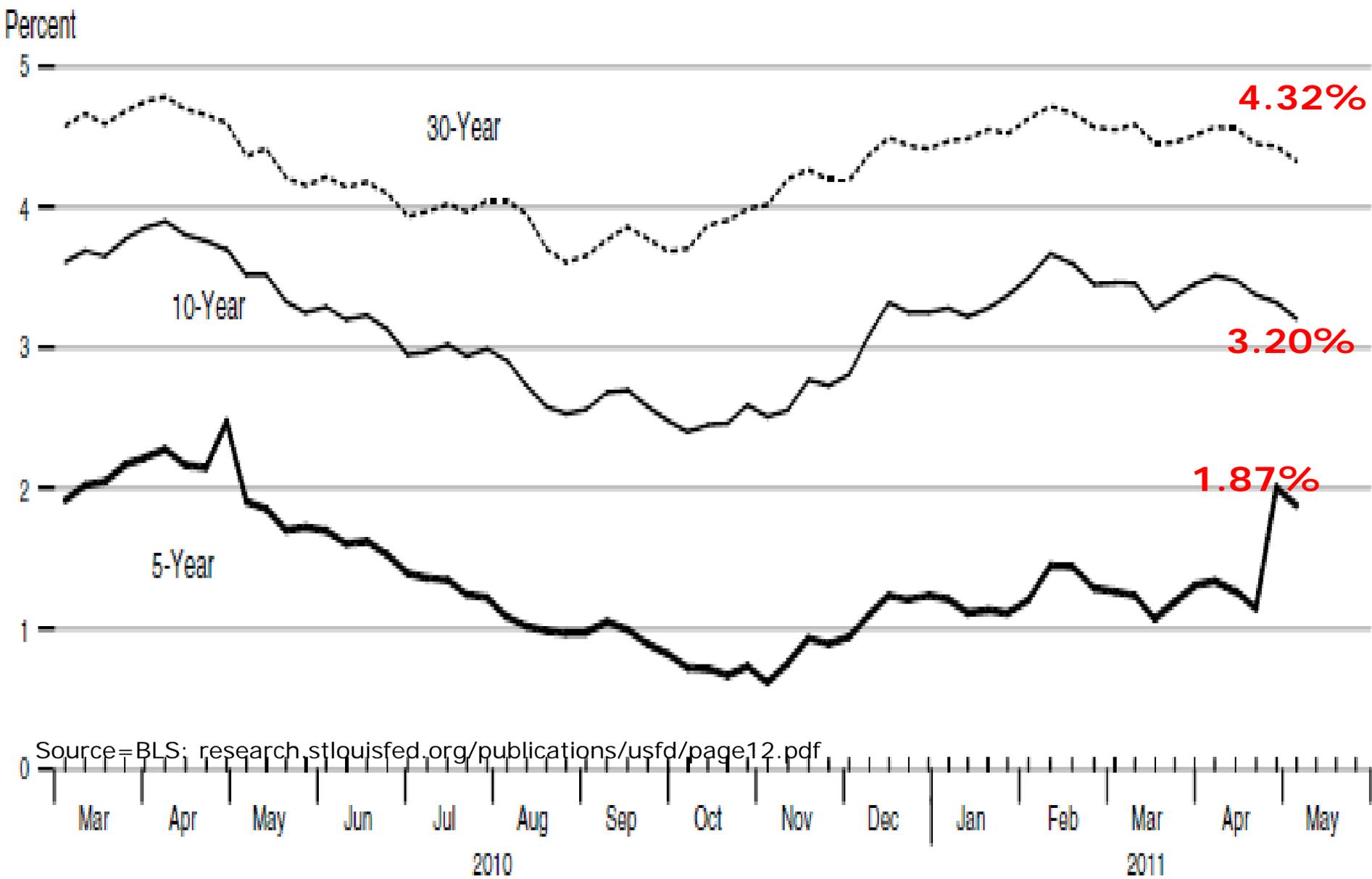
**My Wife Says,
“Don’t Even
Think About
Retiring!”**

Inflation Rate 1990-2011(est)



Treasury Note Yields

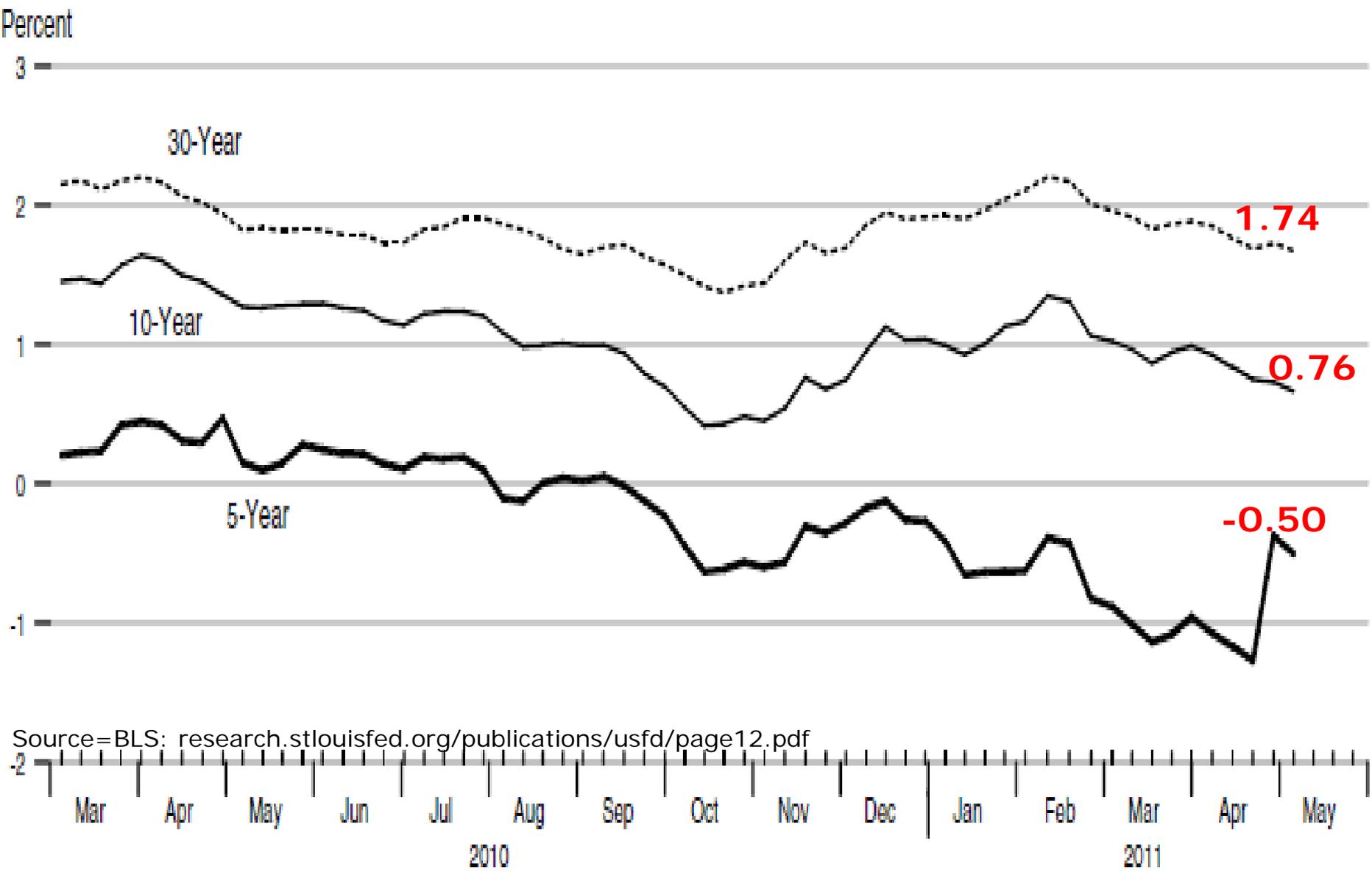
Averages of Daily Figures



Source=BLS; research.stlouisfed.org/publications/usfd/page12.pdf

Inflation-Indexed Treasury Yields

Averages of Daily Figures



The recession has ended (technically) and the economy has started to grow again **(or has it???)**

There are Problems Still on the Horizon

Many other countries have debt problems (PIIGS)

Job creation is limited until economic growth picks up

- The country has yet to address (seriously) overspending
- Our huge debt needs to be addressed
- Wages are stagnant, but inflation is increasing
- We still have a huge backlog of unsold homes
- Our unemployment rate is high and we aren't counting the shadow unemployed
- We are competing with labor markets in China and India

What Should I Do Next???

- Learn to enjoy economic articles
- Develop a game plan and write it down
- Try to understand and investigate all of your financial options
- Look for investments that will beat inflation