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Influence of Financial Education on Retirement Security: Evidence from the state of Illinois.

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INFLUENCE OF FINANCIAL EDUCATION ON RETIREMENT SECURITY:
Evidence from the state of Illinois.

ABSTRACT

In this paper, we examined the role of financial literacy in retirement security for low-income minorities in Illinois. This paper also discusses extend of success among adults, couples, and elderly individuals, specifically, we develop a literature background on retirement savings and how it has been used to promote retirement security in Illinois. As one variable towards achieving retirement security, to increase the chances of a more successful outcome for minority persons faced with impending retirement issues? These are the questions this research attempts to answer. Towards understanding these issues properly, we investigate into financial literacy in Illinois. This study seeks to study how workers gain financial education required make financial decisions towards retirement also for retirement wellbeing we also review the predominant method of savings by evaluating whether people tried to achieve success through these methods, family, and place of work or financial advisors. To figure how much they need to save for retirement. Also, what are the factors that are detrimental to retirement planning in Illinois?

Finally, we will find out what financial education are interrelated to others, that rely on formal methods such as retirement calculators, retirement seminars as oppose to others that rely on family / relatives or co-workers . Are those that have a higher financial literacy exposure are more likely to save more and out of debt, invest in bonds, stocks more as compared to others with lower financial education?

Keywords: Retirement security, Education, Low-income, Retirement wellbeing, Retirement security Keywords: Retirement security, Education, Low-income, Retirement wellbeing, Retirement security

I. INTRODUCTION AND PURPOSE OF STUDY

Americans are increasingly responsible for securing retirement savings. But only a fraction of American households feel confident about retirement savings and one-third of adults in their late 50s, say they have failed to develop any kind of retirement saving plan. (Lusardi 1999, 2003: Yokoboski & Dickemper, 1997). What is responsible for low level of retirement preparedness? Previous studies have given insights with regard to some of the reasons why people do not plan. The absence of financial education is one critical role in retirement security, especially among the low-income minorities. This role has been an issue of versed discussion in the literature recently. Such a literacy can be a function of increased education in the formal sense at any educational level, whether high school, college/university or professional. But it can also mean literacy related to the income-yielding investment that individuals need to live a life of comfort during retirement that is close to the lifestyle they enjoyed before retirement. It is the tool for changing the mindsets and behaviors of Americans regarding retirement over the long term. "Although financial management "is a complex and life-long activity" much learning in this area is still informal. But such education is necessary to impress upon workers "the need to save and plan for retirement" as well as the advantage of starting early, whether or not they are close to retirement. It should also be extended to persons of all ages, not just individuals on the cusp of retirement, using all available avenues such as “schools, community centers, non-profits, churches, and senior centers as access points.” For the most effect, the domain of such literacy needs to be broadened.

The U.S government also established its financial literacy and education commission in 2003. Education which is a form of learning in which its knowledge, skills, and values improves a group of people or society also includes an informal transfer of information from one human being to another. Retirement security can also be achieved via the transfer of information knowledge on retirement planning which when put into practice leads to financial security.

The Government Accountability Office (GAO, 2015) defines financial literacy as “the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely, and manage the challenges associated with life events such as a job loss, saving for retirement, or paying for a child’s education”. Such education is necessary to impress workers, whether or not they are close to retirement, on the need to save and plan for retirement, including the advantage of starting this process early for those not close to retirement. For the most effect, the domain of such literacy needs to be broad: additional to the traditional online and in-person mechanisms, such education could include innovative techniques like a “financial driver’s license,” involving a mandatory walk-through of recommended savings rate and asset allocations by age before allowing participants to make their allocation decision. Similarly, regarding the issues, such education covers whether planning for educational loans or managing credit cards or generally saving for retirement, whatever the issue. Part of the definition here is the influence of education or lack thereof on low-income status.

In addition to the increased income, educational attainment may in itself be one of the determinants of financial literacy (Lusardi, Mitchell, & Curto, 2009). Studies have found that individuals with low educational attainments tend to acutely lack financial literacy and that they also engage in little or no retirement planning (Bernheim, 1998). These individuals also tend to lack knowledge about social security and pension (Gustman & Steimeier, 2004). Finally, individuals who lack financial literacy (such as low educational attainders) tend not to engage in retirement planning (Lusardi & Mitchell, 2005).

America ns are increasingly responsible for seeing their retirement savings comes to reality. But only a few of are confident about retirement and one-third of adults in their late 50's say they have failed to develop any kind of retirement savings plan. (Lusardi 1999, 2003) (Yokoboski &Dickson 1997) What is responsible for low level of retirement preparedness? Why do people fail to plan towards retirement? How many percent of Illinois are knowledgeable about retirement planning and savings? Preview studies have given insight with regards to some of the reasons why people do not plan and why other do.

The goal of this study is to, first, determine the degree of financial literacy or the lack of it in the state of Illinois and, second, to systematically explore the influence of financial literacy on retirement security for low- income minorities when interacted with a range of other important variables. For empirical evidence, the study draws on available information from the U.S. Census Bureau, among other pertinent data sources. The argument of the paper is that financial education works when it comes to retirement security for low-income minorities, if and only when it proceeds in tandem with key other variables that we analyze in the paper.

Financial literacy is knowledge on financial matters, especially issues necessary to build the savings workers need for a comfortable retirement.[1] Individuals are taking responsibility for a growing number of financial decisions. Arguably, the most important are preparations for retirement. In this new environment, where individuals have greater responsibility for determining their own retirement income, factors such as general financial knowledge, an understanding of the retirement savings process, and recognition of the need for adequate savings have become critical to successfully achieving one's retirement objectives.

The financial environment that consumers face today has become dramatically more complicated than that of any previous generation (Lusardi 2009). Individuals are offered more borrowing options such as payday loans, debt consolidation loans, and high-interest-rate credit cards. Evidence from several studies suggests that financial illiteracy is widespread (Lusardi 2006), particularly among vulnerable demographic groups (i.e., less educated, low-income, women, and minorities).

This lack of financial knowledge is a serious cause for concern given that financial literacy is believed to be an important predictor of retirement planning and other important financial decisions. Creating financial literacy interventions is an obvious and common sense response to the increased complexity of the financial world. Thus the purpose of this paper is to compare the strengths of findings across several studies with different designs and different kinds of statistical analyses, all exploring the same core question: What is the connection between financial literacy and the choices that people make about their finances? Additionally, the purpose of this paper is to evaluate the impact and scope of financial literacy and financial literacy programs on savings, retirement, and investments.

[1] The discussion in this paragraph relating to financial literacy draws on Aka et al. (2015).

Moreover, we seek to specifically examine the link between financial literacy and planning and behavioral changes among minority groups who have participated in financial literacy interventions. In particular, financial education may help individuals develop skills to accumulate savings. Recently, there is a growing recognition of the importance of financial education as it relates to saving (Bayer, Bernheim & Scholz 1996; Bernheim & Garrett 1996; Mathew Greenwald & Associates, Inc. 2001).

The question to whether minorities in particular, African Americans and Hispanics, are financially prepared for retirement has been examined widely. Previous studies examining the financial position of households have highlighted the fact that the wealth holdings of African-Americans and Hispanics are very low (Hurst, Luoh, and Stafford, 1998). Smith (1995) and Lusardi (1999, 2000) further emphasized that many African Americans and Hispanics arrive at retirement with little wealth. Other studies, which have examined portfolio choice or specific assets such as housing, stocks, IRAs and 401(k) s, have further documented that African Americans and Hispanics do not hold many of the assets commonly present in White household portfolios. For example, Haliassos and Bertaut (1995) found that minorities were much less likely to hold stocks than White households, and this remains the case even after accounting for a large set of household and industry characteristics, including income and wealth. …

Another aspect of the definition of financial literacy is that knowledge on financial matters necessary for well-being in retirement might be correlated to levels of education. For example, some studies have shown that more than low-income earners, higher income earners may possess characteristics that enable them to manage their money more effectively (Boshara, Emmons, & Noeth, 2015). More discussion under this topic is saved for the portion below on the definition of low-income minorities.

Retirement security is readiness defined in savings terms that occurs "when a worker, especially one on the cusp of retirement, *subjectively* believes that s/he has enough resources to guarantee a standard of living similar to what the worker enjoyed before retirement and when, in fact, *objectively*, the full complement of savings in Social Security, employer-sponsored benefits, and personal assets exists to guarantee that pre-retirement standard of living" (Aka, Hervani, & Arnott-Hill, 2015).

II. THE ROLE OF FINANCIAL LITERACY IN RETIREMENT SECURITY AND FINANCIAL WELL-BEING AMONG THE LOW-INCOME MINORITIES IN ILLINOIS

[2] MITCHELL and LUSARDI (2011). Examined financial literacy in the United States using the new National Financial Capability Study, wherein which was demonstrated that financial literacy is particularly low among the young, women, and the less-educated. Moreover, Hispanics and African-Americans score the least well on financial literacy concepts. Interestingly, all groups rate themselves as well-informed about financial issues. Results revealed that people who score higher on the financial literacy questions are much more likely to plan for retirement, which is likely to leave them better positioned for old age also informing those seeking to target financial literacy programs as those in need.

[2] ANNAMARIA LUSARDI and OLIVIA S. MITCHELL (2011). Financial literacy and retirement planning in the United States. Journal of Pension Economics and Finance, 10, pp 509-525. doi:10.1017/S147474721100045X.

Financial literacy score in Illinois is about 37% which is not too good as compared to Utah with a 49% score. (FINRA Investor Education Foundation 2012). Despite its position nationwide new study reveals Illinois as leading in personal finance education. (Sellitti, 2016) however, in a research article depicts the financial literacy standards that Illinois as a state has adopted to

provide a practical and academically sound framework that promotes critical thinking as it applies to decisions making about spending, saving, budgeting and investing. Looking to work with schools across Illinois as they integrate the new standards into the K-12 curriculum.

While the new state standards mark a huge leap forward in a two-year period, Illinois' progress

been a long time coming, beginning with the Consumer education Mandate implemented in

1970 and amended to include personal finance in several iterations. But over time, it became

apparent that they needed something more robust; (Econ,2016)

Illinois was instrumental in the creation of the 1997 Illinois State Standards that included K-12 standards and benchmarks in economics for the first time. And in 2013, a groundbreaking program was piloted in Chicago Public Schools introducing a K-12 financial literacy framework and capstone course. Its success among students And teachers was compelling evidence of what could be accomplished, paving the way for the introduction of state standard financial literacy which denotes the ability to make optimal decisions in the management of economic resources that is necessary for financial wellbeing.

It seems obvious that increased financial awareness would be beneficial to individuals considering how to save for retirement; however, the linkage between retirement goals and savings and the impact of enhanced financial savings on the likelihood of achieving the necessary savings to reaching retirement goals has to be explored. As very few studies have examined the link between financial wellbeing in retirement and retirement savings. This paper examines the impact of knowledge in financial education on retirement goals and savings behavior. Especially, determining whether retirement goals are expected to be met after a change in their savings behavior by making specific changes.

Lusardi & Mitchell 2011. In a study found that relatively little is known about why people fail to plan for retirement and whether planning and information costs might affect retirement savings patterns. Reporting on a purpose –built survey module on planning and financial, measuring how people make financial plans. Showing that financial literacy is widespread amongst older Americans, particularly women minorities and the least educated. Results reveal that financial savings are more likely to plan to succeed in their planning, relying on formal methods such as retirement calculators, retirement seminars, and financial experts. Greenspan's suggested that financial education would be helpful to workers engaged in retirement planning and that such programs would be most useful to lower and middle –income families. Lusardi (2002)agrees with Greenspan's view that financial literacy is a key to retirement savings and concludes that a lack of planning and not understanding the savings process e two of the primary reasons that Americas have a low saving rate.

Financial education and literacy is the tool for “changing the mindsets and behaviors of Americans regarding retirement over the long term.” It is also an antidote to bad financial habits that work against savings, such as the failure to operate a bank account, tolerate sensible risks, as well as participate and contribute sufficiently in DC plans that we discussed above in this Article. This education is necessary to impress upon workers "the need to save and plan for retirement" as well as about the advantage of starting early, whether or not they are close to retirement. It should also be extended to persons of all ages, not just individuals on the cusp of retirement, using all available avenues, such as "schools, community centers, non-profits, churches, and senior centers" as access points.

For the most effect, the domain of such literacy needs to be broad. "In addition to the traditional online and in-person mechanisms, such education could include innovative techniques like 'financial driver's license,' [involving] a mandatory walk-through of recommended savings rate and asset allocations by age before allowing participants to make their allocation decision." And it should be broad enough to encompass as wide a range as the important financial decisions the typical person makes.

Persons with low financial literacy have greater difficulty making good investment decisions, and they have a tendency not to engage in retirement planning. Not surprisingly, studies show that financial literacy is positively related to net worth, meaning that workers with low financial literacy accumulate low retirement savings. Financial literacy rates tend to be low in individuals with low educational attainment. Education is a factor associated with higher income, and educational attainment in and of itself is a key determinant of financial literacy. While home ownership, discussed next after this subsection, is not uncommon among individuals with low financial literacy, these workers tend much less to invest in securities, such as stock and bonds.

In this research, I propose another reason why African –American and Hispanics do not save towards retirement. I argue that less information and lack of literacy and learning cost prevents these families from accumulating wealth and securing a comfortable retirement. (Lusardi 2000, 2003b) find that the cost of education and level of education is a major push to lack of retirement security. In this research, I concentrate on those groups on those groups where financial literacy most scares. In availability of data, enough information limits this paper to the analytical approach. As very few data completed by recent information on minorities on savings net worth, the size of family, retirement plan, on African-America and Hispanics. I provided a detailed overview of data from 1980-2012 depicting various variables that contribute to the lack of retirement security. I then examine the extent of its effect on retirement planning towards security. Finally, I analyze the effect of financial literacy and planning on savings towards retirement among the whites and low – income minorities. The data came from the census bureau of the U.S all data were weighted by sex, race, education to reflect the actual proportions in the adult population. This study data complemented by more recent information on financial to study the education literacy information and planning choice of African- African and Hispanics households the following section provide a detailed overview of the data from 1980-2 102 wave of various financial security and planning variables depicting the financial behavior of Africa-America and Hispanics. I then examine the extent of this heterogeneity in basic financial planning practices also Heterogeneity in financial knowledge across demographic groups specifically whether knowledge pattern differs by race /ethnicity and education among the low – income minorities. In addition analyzing the effect of literacy on retirement security and planning among the low-income minorities.

Getting financial advice is important to the financial well-being and can ultimately improve financial literacy. One possible reason that individuals with low financial literacy fail to seek advice is that they may be intimidated or overwhelmed by financial jargon. Another is a fear of being taken advantage of. They may also not realize the benefits of benefits of financial advice, and may consider such advice too expensive to outweigh any benefit. For these and other reasons, some low-income workers rely on the advice from friends and relatives, who themselves might lack adequate financial literacy skills. However, persons who shy away from seeking financial advice are not only at risk of paying higher fees but also stand a greater risk of falling victim to the predatory schemes of unscrupulous financial professionals who seek to exploit them. Also, financial advice, though potentially requiring upfront costs, has the potential to result in long-term gains. Finally, although many employers offer free financial planning services or are affiliated with companies that offer such services, low-income earners are less likely to work for such an employer or, if they do, not likely to realize that the free service is available for employees.

Considering that, compared to high-income workers, low-income earners are less likely to be financially educated or literate, there is a need for financial educational programs that target this population. Programs must be tailored to meet the needs of low-income earners and their level of financial knowledge and must be easily accessible and convenient. Employers can play a role in improving financial literacy through the use of brochures, information sessions, and retirement seminars. In Illinois

III. LITERATURE REVIEW OF RELATED LITERATURE

Studies have painted a grim pictures of about how poorly educated Americans are when it comes to managing c money. Nearly two-third to the student aged 15 to 18 scored below 70 percent in the National Financial Education Council financial literacy test, administered to 1,309 people during 2012 and 2013. (Kelli B. Grant, 2014) The hub of American financial literacy.

Chen (1998) in an analysis study of personal financial literacy among college students, surveyed 924 students from multiple universities across the country to examine college students knowledge of personal finance; the relationship between the financial literacy and participants' characteristics such as academic discipline, gender, and experience; and the consequences of having inadequate knowledge. Results suggest that college students need to improve their knowledge of personal finance. Although the questions included in the survey are fairly basic, the overall mean of correct answers for the survey is about 53%. None of the mean scores for each area of general knowledge, savings and borrowing, insurance, and investments are above 65%. Results concluded that college students are not knowledgeable about personal finance and the incompetency will limit their ability to make informed financial decisions. Together with evidence provided by the research conducted in the past three decades, the findings of this study suggest that there is a systematic lack of personal finance education in our education system. The lack of education has resulted in serious financial illiteracy found in the American public.

In a recent study report, the 2012 National Financial Capability Study, reports from the findings reveals that adults haven't fared any better. Asked five multiple – choice questions about topics like interest calculators, mortgage payments and investments, just 39 percent of the 25,509, adults answered at least four correctly according to a 2012 survey FINRA investments education foundation that is down from 42 percent in 2009. Financial literacy educators say there's a way to buck the trend, and it isn't all about starting earlier "we're falling into a very common trap. (NFCS, 2013)

Historically, that's where the bulk of financial literacy programs have targeted their efforts. But studies have found that the retention rate on financial lessons learned is two years at best, (Beck, 2013) track record supported by such financial literacy test results. A comprehensive personal finance education in high school may not fully prepare someone years later years later to buy a home, understand the work place benefits or save for retirement, especially with a rapidly shifting array of financial products and told in the mix. "The decay factor in that knowledge gathering is very high." Even older adults, who have arguably learned something about personal finances by managing their own, could stand a refresher.   FINRA Investor Education foundation "older adults appear to have stronger levels of financial knowledge and better behavior. FINRA found respondents age 55 plus got a mean 3.3 answers act of 5 correct versus 2.9 for those in the 35 to 54 bracket and 2.3 for those aged 18- 34 "The reality is among those 55and older, they are still getting a lot wrong (NFCS,2013).

In recent years financial literacy programs, debt counselors, financial institutions, and employers have made new efforts to help adults improve their money-management skills. In its 2013 Workplace Benefits Report, Bank of America Merrill Lynch found that 70 percent of the more than 1,000 employers it surveyed now offer workers one-on-one access to financial advisors, up from 56 percent a year earlier (Michael B.ING 2013)

Previous studies have examined the correlation between financial literacy levels and effective retirement planning. This is important to ascertain the correlation between financial literacy and planning, several variables are thought to be correlated with retirement security in gray years, some examples include a failure to plan which leads to financial insecurity in future years. (Olsen, A, &Whiteman, K. (2007). Further studies by (Michelle et al, 2007) revealed that education plays a paramount role among the variables mentioned above. Americans fail to understand critical financial concepts, which are a major cause of low levels of financial literacy, ultimately leading to the issue of ineffective retirement planning (Michelle et al, 2007).

Further review of studies revealed that financial education is one key variable towards the achievement of retirement security (Lusardi, A., & Mitchelli,O.2007),other identify other variables such as financial retirement savings, household wealth.(Lusardi, A.2007; Household Savings behavior). According to research conducted for the OECD's study on financial education indicates that the level of financial literacy is low in most countries, including developed countries. (OECD, 2015). (Lusardi and Olivia .S. Mitchell, 2007). Minorities are seemingly in particular need of the information, knowledge, and skills required to navigate what is increasingly becoming a complex financial services market.

Additionally, "Surveys also show that African Americans and Hispanics place a high priority on saving for their children's education and their own retirements; however, many feel they lack the knowledge to invest to achieve those goals. And knowledge makes a big a difference. The focus of the investigation was on working households, those who are knowledgeable about investing are far more likely to save for retirement."

However, studies that consider both race and gender differences in pathways out of the labor market and that distinguish between retirement and other forms of labor market exist remain rare. Compared to other studies Researchers (Eugenio et.al 2007) agrees that there are health implications to retirement.

Finally, this paper seeks to examine the role, influence of education in enhancing retirement security among low- income minorities towards retirement security. In addition examine analytically the influence of various independent variables the role of gender, race, education, saving, most importantly financial, literacy to retirement security among the low-income minorities.

IV. Consequences of inadequate financial literacy in Illinois

Insufficient financial literacy causes problems like leakages, which occur when workers make early withdrawals from their retirement savings accounts.

It is for this and other reasons that some laws enacted in response to the Great Recession include financial literacy. (Aka et.al 2015). People that fail to plan for retirement are at risk of failing when they retire, financial literacy being the backbone of retirement security. As it has over the years proved to be in- connection to retirement planning as people that have planned before retirement have often retired well and happily compared to others that failed to plan for retirement. Financial literacy as simple as it may sound has a lot to offer towards retirement planning or do so unsuccessfully, may because they have low financial literacy. The knowledge of compound interest, inflation, and risk factors towards investment has to be considered, acquiring significant financial literacy means shedding light on the importance of financial planning towards securing financial stability after retirement, financial literacy is dependent variable to retirement planning has proven to be in relation to retirement security.

Firstly, financial literacy is strongly and positively associated with planning, and the results are statistically significant at conventional levels. That is, planners of all types are much more likely to give a correct answer to our basic questions about financial literacy.

Secondly, knowledge about risk diversification best differentiates between sophisticated and unsophisticated respondents. Not only does it have a much larger estimated marginal effect than being able to correctly answer the interest and the inflation questions, but it also remains statistically significant even after accounting for the demographic characteristics of the respondent.

Thirdly, lack of knowledge also matters. Even with respect to those answering incorrectly, those who cannot answer the questions are much less likely to plan and to succeed in their planning effort. What appears most crucial is a lack of knowledge about interest compounding, which makes sense since basic numeracy is crucial for doing calculations about retirement saving.

Among women, blacks have the highest and Hispanics the lowest rates of labor forces participation. Also, because black women are considerably more likely than white women to have worked steadily most of their adult lives, they actually compare favorably to white women on several employment outcomes (Belgrave 1988; Ruhm 1996).

However, studies that consider both race and gender differences in pathways out of the labor market and that distinguish between retirement and other forms of labor market exist remain rare.

VII. Examining the role, influence of Retirement literacy in Illinois

Jeff Scott et.al.., 2006, on effects of financial education program examined the effects of one large financial training management program for low –income people. Using data from tests of pre-post training financial knowledge of 163 participants in various areas such as public and work related benefits lending practices, banking practices, savings and investment strategies and credit use and interest rates. Savings and investing strategies and credit use and interest rates. Jeff Scott revealed that finding demonstrated that pre- training knowledge deficiency existed in public and work related benefits, savings and investing. Results also indicate that the program was effective in improving the financial knowledge of participants in each of the areas.

Two factors have fostered the development of financial training programs of low-income people in recent years. First, the role of financial literacy in promoting economic well-being has increasingly been recognized (Bernheim, 1998 & Bush 2002).

Similarly, in another study Johnson, & Sherraden, Margaret (2007) revealed financial capability results when individual develop financial knowledge and skills, addressing theoretical approaches to increasing financial capability, discussing implications for policy and practices. In the same manner, Tschache 2009, [3] reports on the importance of financial literacy as a helpful tool towards financial capability. Findings show that most participants of financial literacy and financial literacy curriculum were important and that financial education is beneficial and the concepts taught the curriculum. Also, the study indicates that Illinois high school students in Illinois to complete a financial literacy which includes in their curriculum. Furthermore, the University of Illinois offers has been part of the financial literacy program as part of the department of finance the rotary challenge is an investment platform offered to local area high schools using the university securities exchange simulation investment to give the university of Illinois students. This simulation provides each student with $1,000 portfolio and an online brokerage account from which the students buy and sell equities with prizes offered to students that generate the highest rates of return on every simulated portfolio. The market mentors are meant to target towards high schools to run a mock trading session. The High school students buy and sell shares as brokers on the floor of the exchange while the university student's acts as a specialist and maintain the fair and orderly market.

[3] Importance of financial literacy content in curriculum by Candice Arrington Tschache A thesis submitted in partial fulfillment of the requirements for a degree of Masters of Education in Education MONTANA STATE UNIVERSITY. Bozeman,Montana July2009©COPYRIGHTbyCandiceArringtonTschache2009.

(Schaffhauser, 2013) in Illinois schools introduced free curriculum intended to teach its high school students financial literacy thus adopted a verbal learning platform on a 12th grade consumer. Also an economic course consisting of a 10 unit course of teaching programming, assessing a certifying students in financial topics that align with the states consumer education curriculum. Using animations, applications, 3D, gaming, avatars and social networking to educate students on complex financial concepts including banking, savings and budgeting , 401k plans, credit scores stocks, insurance and taxes,   mortgage credit cards financing higher education and taxes. "The lack of critical financial skills is leaving today's students unprepared to thrive in today's economic environment. Bruce Bauner. Similarly, the Illinois student's assistance commission has received a great any other states to conduct financial literacy &college financial work help for parents.

V. FINANCIAL LITERACY THAT ARE LIKELY TO PROMOTE RETIREMENT SECURITY FOR LOW-INCOME MINORITIES IN ILLINOIS

Financial Literacy

Financial literacy is the ability to understand how money works in the real world. Financial education which is tied to retirement planning is the ability to understand how many works in the real world in reference to planning for the future years during retirement. How a retiree manages to earn or make money, how they manage it, how he/she invests it (turn it into more) and how they live the comfortable lifestyle even after active years of work. More especially it refers to the set of skills and knowledge that allow an individual retiree to make informed and effective decisions with all of their financial resources. The organization of economic co-operation and development (OECD,2015) defined financial education as the process by which financial consumers/investors improve their understanding of financial products and concepts through information, instruction and/or objectives advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choice

In the United States from the 17th century, the foundation of education covers the trends in educational philosophy, policy, institutions as well as formal and informal learning in America. The first American schools in the thirteen original colonies open in the 17th century (Harper & Row, 1970).

A survey in the U.S found that four out of ten Americans workers are not savings for retirement. (Lusardi, A., & Mitchell,O.S.(2011). The few finance education programs which have been evaluated have been found to be reasonably effective. Researchers in the U.S shows that workers increase their own retirement plans with employees to save and invest for their retirement when employers offer financial education program in any form seminar/workshops or brochures. (Mandell,L.,& Klein,L.S.(2007).

Financial literacy among the U.S adult is improving only 40% of adults surveyed in 2012 gave themselves a grade of C, D or F on their knowledge of personal finance from 65% in 2010 (Van Rooji, M.C., Lusardi,A.,& Alessie, R.J.(2012). This could in part be related to the 2003 establishment of the U.S financial literacy and education commission which was tasked to develop a national financial education and a national strategy on financial education. Despite dramatic changes, large gaps remain when minority education attainment is compared to that of Caucasian Americans (American Council on Education, 2006). African Americans and Latinos are more likely to attend high-poverty schools than Asian Americans and Caucasians (National Center for Education Statistics, 2007).

Effective financial education can help individuals develop efficient household budgets, create savings plans, manage debt and formulate strategic investment decisions for themselves and their families. It also provides more opportunities to save and invest in portfolio, bonds, stocks to help people obtain goods and services at lower costs in the present that will help develop better consumer's returns in the future. It is interesting to note that various indicators have contributed to the lack or absence of education

Education this variable is critical for the minorities at the cusp of retirement this variable should not be understated as many studies have shown that there is a strong correlation between wealth and education, income and other demographic characteristics that can account for preferences or economic circumstances (Browning and Lusardi (1996)). It is still unclear why households whose head has high education accumulate much more than households whose head has low education. However, many studies show that more highly educated households respondents are more likely to invest in high-return or tax-favored assets such as stocks or IRAs (Haliassos and Bertaut (1995), Vissing-Jorgenson (2002), Venti and Wise (2001)).

Lusardi and Mitchell (2007a) and Lusardi and Beeler (2007) individuals do not engage in planning or are not knowledgeable about pensions or the term of their financial contracts is because they lack financial literacy. Bernheim (1995, 1998) was one of the first to emphasize that most individuals lack basic financial knowledge and numeracy and, as a result, saving behavior are dominated by crude rules of thumb. Several surveys covering the US population or specific sub-groups have continued to document very low levels of economic and financial literacy.

One may argue that financial literacy and retirement plans are both decision variables and that planning may also affect financial knowledge. For example, those who want to plan for retirement may invest in acquiring financial knowledge. Lusardi and Mitchell (2007) address this question using the module on financial literacy and planning they have designed for the Specifically, they use information on financial literacy in the past—before individuals entered the job market and show that those who were financially literate when young are more likely to plan for retirement later in life. Due to lack of literacy on financial planning and savings most low –income minorities depend on families and friends to make their saving decisions. In fact, only a small fraction of low-income minorities consult financial specialists as most households rely on informal sources of advice.

Most individuals rely simply on the help of family and friends for their financial decisions, and this is particularly true for those with low education (Lusardi, 2003). In so far as there is a positive correlation between the education level of individuals and the education level of their family or peers, low education individuals may simply rely on crude sources of advice. For example, given the rapid changes in financial markets and in the pension landscape in recent history, it may be difficult to benefit from the advice or experience of parents. Similarly, those with low financial literacy may be particularly disadvantaged in overcoming the lack of knowledge. Van Rooij, Lusardi, and Alessie (2007) show that respondents who have low levels of financial literacy are disproportionately more likely to rely on family and friends for financial advice, while more financially sophisticated individuals are more likely to rely on newspapers and books.

Community-Based Financial Education: Individual Development Accounts (IDAs) are saving accounts that provide financial education, as well as matched funds, for particular uses (such as home ownership). Because IDAs offer a suite of benefits, it is difficult to separate the relative contributions of financial education versus the matching incentives. Sherraden and Boshara (2008) find that exposing participants to between one and 10 hours of financial education raised average deposits by $1.16 per for each hour.

Workplace Financial Education: Here importantly, we examine the effect of having an employer offer financial education, not the impact of actually participating in a financial education. Focusing on the availability of financial education rather than participation in financial education. Employees are educated in places of work about the various financial plans and options for investments. Findings have revealed that workplace financial education workshop has been effective, on average and at the 25th and 50th percentiles – employees of firms that offer financial education have significantly higher levels of 401(k) participation rates, contributions, and balances, as well as higher overall (including saving outside of retirement accounts) saving rates.

School-Based Financial Education: Bernheim, Garrett, and Maki (BGM, 2001) exploit changes across states and time in laws requiring financial and consumer education in public high schools to set up a natural experiment. They use a specially commissioned wealth survey of 2,000 households conducted by Merrill Lynch in fall 1995 that asked respondents ages 30 to 49 the state in which they attended high school and their date of graduation. This allowed the authors to determine whether each individual was exposed to a financial or consumer education mandate in high school. The authors show that respondents' reported exposure to financial education course work and their reported saving rates are (a) larger in the states and years after a mandate is introduced and (b) increasing the length of time between when the mandate was introduced and when the student attended high school. Maki (2004) the use of Credit and Mortgage Counseling

Research on counseling for credit uses and homeownership faces difficult challenges. Many of the participants already have credit problems, which makes constructing an appropriate control group both more difficult and more crucial.

(Johnson & Sherraden,2007) in a study revealed that financial capability results when individuals develop financial knowledge & skills ; addressing theoretical approaches to increasing financial capability this research addressed and discussed implications for policy & practice. Results show that most participants of financial literacy and financial literacy education taught in the curriculum are beneficial. Also indicating that Illinois high school students in Illinois to complete a financial literacy course. (Montana, 2009)

In Illinois, the University of Illinois offers as part of financial literacy program has been part of the department of finance. The rotary challenge program is an investment challenge offered to local area high schools using the university securities exchange simulation investment to give university of Illinois students. Then stimulation provides each student with $1000 portfolio's and an on-line breakage account from which the student and all equities with prizes offered to students that generate the highest rates of return on their simulated portfolio. Other programs include China challenge, stock market investment. The market mentors are meant to target towards high school students schools to run a mock trading session. The high school students buy and sell shares as brokers on the floor of the exchange while the university students serve as a specialist and maintain the fair and orderly market.

Financial Literacy workshops: The National Financial Educators Councils' financial literacy workshops give participants a memorable learning experience while sharing practical personal finance lessons. These experiential events increase retention rates and motivate students to take positive action. From full production promotions (concert venues, celebrities, live entertainment) to smaller community courses. Financial illiteracy is especially prevalent among today's youth and can undermine the growth of the country and global economy. Study after study shows that our future generation lacks the understanding on basic money management matters that they need to achieve financial wellness.

Providing just one financial literacy workshop could give them the skill sets they need to make it in the financial real world. It is advised that providing a series of financial literacy workshops or leveraging an event to launch ongoing educational efforts is recommended.

Here Organization seeks to deliver a comprehensive financial education program that reaches participants many times through several channels that will help ensure the material is understood and retained. Financial literacy workshop gets students excited and engaged in the learning process, this should be followed up with educator training, curriculum, and parent training.

Besides educating the participants, this holistic approach to helping people develop personal finance skills also helps to raise awareness in the community.

Finally, parents, individuals, educators, government, nonprofits, corporations and schools can further work together to educate youths on long-term change in the financial habits of the community.

CONCLUSION

Financial literacy which is a major concern towards achieving retirement success towards retirement security as one important variable towards planning.

Appendix A

Table 1.1. Showing Financial Literacy Scores by States

State-by-state financial literacy scores			
State	**% who got 4-5 answers correct**	**Mean of correct answers**	**Mean of "I don't know" answers**
Utah+	49%	3.23	1.12
Wyoming	48%	3.18	1.1
Alaska	48%	3.07	1.2
Colorado	47%	3.13	1.04
New Hampshire	47%	3.12	1.17
Montana	47%	3.1	1.14
South Dakota	45%	3.05	1.14
Idaho	44%	3.16	1.11
Hawaii	44%	3.07	1.11
Iowa	44%	3.06	1.14
Washington	44%	3.03	1.22
Nebraska	44%	3.03	1.17
Minnesota	43%	3.02	1.25
Maryland	43%	3.02	1.08
District of Columbia	43%	2.95	1.07
Vermont	42%	3.01	1.27
Maine	42%	3.01	1.18
Massachusetts	42%	3.01	1.14
California	42%	2.93	1.27
North Dakota	41%	3.01	1.24
Wisconsin	41%	2.99	1.23
Virginia	41%	2.96	1.26

Oregon	41%	2.94	1.29
Missouri	41%	2.93	1.22
Pennsylvania	41%	2.83	1.39
Delaware	40%	3.04	1.15
Kansas	40%	2.95	1.21
Arizona	40%	2.93	1.23
Nevada	40%	2.92	1.18
Rhode Island	40%	2.83	1.38
Connecticut	39%	2.9	1.11
Michigan	39%	2.88	1.27
Indiana	38%	2.9	1.31
Oklahoma	38%	2.87	1.21
Tennessee	38%	2.8	1.26
New Mexico	37%	2.88	1.3
Georgia	37%	2.86	1.18
Illinois	37%	2.82	1.3
North Carolina	36%	2.84	1.28
New Jersey	36%	2.82	1.3
Florida	36%	2.8	1.22
South Carolina	36%	2.75	1.23
New York	36%	2.72	1.34
West Virginia	35%	2.77	1.36
Kentucky	34%	2.73	1.27
Alabama	33%	2.77	1.26
Texas	33%	2.73	1.37
Ohio	33%	2.71	1.45
Arkansas	33%	2.7	1.4
Louisiana	32%	2.67	1.31
Mississippi	32%	2.53	1.51

Source: FINRA Investor Education Foundation 2012 State-by-State Financial Capability Survey

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