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Using Participatory Action Research to Explore The Financial Literacy Needs of those Nearing Retirement

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Abstract: The purpose of “Using Participatory Action Research to Explore the Financial Literacy Needs of those nearing Retirement” was to explore the financial literacy needs of persons age 50 or above. If individuals nearing retirement have a sense of not saving sufficiently to retire on their own timing or to support the lifestyle desired in retirement, what are elements of a financial literacy program (workshop or series of workshops) that might help them positively change their financial situations between now and retirement? The methodology used in this study was participatory action research. Critical theory was used to examine power relationships and how inequities in those relationships may result in individuals feeling powerless. Interviews yielded information which contributed to the development of a workshop. The workshop was seen as a good beginning in becoming financially literate related to retirement planning; people left the workshop enthusiastic about taking control of their retirement planning. A series of workshops is needed. More hands-on involvement is desired by participants; other learning styles need to be addressed as this workshop focused on accessing online resources. Participants commented that becoming more active in that relationship and more knowledgeable in the exchange of information would result in changes in how they interacted with financial professionals. With needed training and support, individuals can and will take a more active role in their relationships with financial professionals.

Introduction

The purpose of this qualitative study was to investigate the financial literacy needs of individuals nearing retirement (age 50+), resulting in the creation of a financial literacy program (a workshop) that would increase their sense of financial literacy as they neared retirement. If individuals nearing retirement sensed they did not understand financial basics, had not saved sufficiently to retire on their own timing and/or to support the lifestyle they desired in retirement, what were the elements of a financial literacy program (workshop) that might help them positively change their financial situations and feelings of competence in handling their financial planning for retirement between now and when they retire? What could be done to empower individuals in those professional financial relationships?

Financial Literacy

Financial literacy can be defined as “one’s knowledge of facts, concepts, principles, and technological tools that are fundamental to being smart about money.” (Garman and Gappinger, 2008) It also can be seen as providing “individuals with the knowledge, aptitude, and skill base necessary to become questioning and informed consumers of financial services and manage their finances effectively.” (Mason and Wilson, 2000) While individuals might not readily use the words “financially literate” or “financially illiterate,” they seemed well aware that they were either comfortable or uncomfortable with the basic facts and concepts related to being “smart” about money.

A review by Lusardi and Mitchell (2006) indicated that many households were not familiar with even the most basic financial concepts needed to make saving and investment decisions. They also found that financial illiteracy did not “discriminate:” young and older individuals in the United States (and other countries) appeared under-informed about basic financial concepts. This lack of information in turn created serious implications for saving. There was considerable evidence that people were unfamiliar with even the simplest economic concepts. In fact, Lusardi and Mitchell (2006) believed that there was evidence that demonstrates widespread financial illiteracy in the United States.

So what were the likely consequences of financial illiteracy? Those who were not financially literate were less likely to plan for retirement. They were less likely to accumulate retirement wealth. They were less likely to participate in the stock market. Women, in particular, were hit hard by a lack of financial literacy. While women lived longer, they tended to face fewer opportunities for learning. They also tended to work fewer years than men.

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Theoretical Framework

Looking at people who were approaching retirement, the lens of critical theory could help to better understand people who were approaching retirement and to examine the power relationships that currently existed related to financial literacy. My assumption was that most of us, when seeking advice about investments or retirement plans, relied on others perceived to have more knowledge and experience than we did: people such as financial advisors, stockbrokers, bankers, etc. We relied on those individuals because they had work experience in the field of finance, or they had credentials or licenses or had passed national exams and could use trademarked designators (CFP, CFA, CPA, etc.) after their names. That experience or those licenses were seen as “assurances” when we consulted those individuals.

There is the saying, “knowledge is power.” However, a broadening of that knowledge to include financial matters, I believed, would give people more “power” in their lives. People would be able to interact more effectively with those with licenses. This increased effectiveness would result in a shift in the relationship between the professional and the client. Increased knowledge and confidence might actually result in some individuals not needing to use financial professionals. However, the aim was not to make professionals superfluous; rather the aim was to make people feel more able to interact with those professionals.

Methodology

The methodology of this study was participatory action research. This methodology was selected because the ultimate goal of this research was to help individuals begin to take control of their retirement planning. This research was intended to have participants question why they had approached retirement planning and investment in the way they had and to result in their changing their outlook and approach to retirement and retirement planning, with a resulting improvement in their retirement situations.

Action research, as defined by Greenwood and Levin (2007), is carried out by a group of individuals including an action researcher and stakeholders (members of an organization, community, or network) who were looking to improve participants' situation. Carr and Kemmis (1986) provided the following definition of action research: "Action research is simply a form of self-reflective enquiry undertaken by participants in social situations in order to improve the rationality and justice of their own practices, their understanding of these practices, and the situations in which the practices are carried out." (162)

Action research was a collaborative process of inquiry which used data to address issues and result in change, whether that is social, political, or organizational change. Participatory action research (PAR) was one of many "branches" of action research. Kemmis and McTaggart (1988) described participatory action research as research that joined the "practical and theoretical" while involving the participants in the study. (567) With a defining element of action research the joining of one's practice and theory and the applications it sought to produce, PAR took this further by involving participants in the actual design of the research. PAR aimed for research that sought to change social structures and organizations as well as research that was meaningful and practical for participants.

The theoretical/conceptual framework being used in this study was critical theory. Critical theory informed the research design of this study since a focus of this study was to examine the power relationships that resulted in the financial illiteracy or lack of financial preparedness for retirement. Participatory action research was related to critical theory in that the knowledge created was practical and led to social change.

Participants of this Study

The participants in my study (those participating in the interviews, focus groups, and workshops) were individuals between the ages of 50 and 65 and/or those within 5 to 10 years of retirement. Although not originally intended, all participants were white, well educated (at least a college degree) and middle class. Two individuals from this target population worked with me throughout the phases of this research. These individuals had expressed an interest in attending the workshop developed; they were willing to be active participants throughout the cycles of this research. While aiming to include both men and women, of the five interviewees, only two men were interviewed; of the twelve workshop participants, two men attended.

Data Collection Methods

The data collection methods for this study were interviews, group meetings, workshops, and questionnaires. Interviews were conducted individually; group meetings were held with my research "sounding board," the two individuals who worked with me throughout the research. Interviews and group meetings were effective ways of having individuals reflect on their

financial literacy and financial literacy needs to better prepare themselves for retirement. Individual interviews and/or small focus group enabled participants to feel comfortable sharing what their experiences had been and how they felt they could improve their situations.

Findings

Five one-on-one interviews (three women, two men) yielded information which then contributed to the development of a workshop. Themes that developed from those interviews included the following:

1. Desire to increase knowledge of financial concepts and terms;
2. Need to become more confident in understanding and use of financial concepts and terms;
3. Desire to take on a more active role in managing financial matters and in dealing with financial professionals.

The workshop was developed by me based on the information gained from my personal experience, course content in my MBA program and my Certified Financial Planner courses, literature review, interviews conducted, and discussions with the two individuals who were working with me. In addition to gaining financial information through the workshops, participants also shared personal information about their financial literacy needs. Although it was planned that the participants would use the information presented at the workshops in an activity (such as working on the initial stages of the development of a personal financial plan), 90 minutes into the workshop, they expressed fatigue. (All participants had worked a full day prior to coming to the workshop. Participants had been given a light meal and refreshments before beginning the workshops.) In no instance was any participant coerced into sharing individual financial or personal information which he/she was not willing or comfortable sharing.

Two workshops were conducted. At the end of both workshops, individuals were asked to answer open-ended questions about their experiences at the workshops. They were encouraged to also write whatever other reactions or feedback they wanted to provide.

Recommendations

Based on the learning from the interview and workshop participants, the major recommendations from this research study were the following: 1. A series of workshops; 2. Accommodation of different learning styles; 3) Study of different ethnicities, educational levels and socio-economic groups; and 4) Tracking of longer-term impact of increased financial literacy.

A Series of Workshops

A series of workshops is needed to make certain that individuals are acquiring the retirement-related knowledge they need to become more financially literate – and actually beginning to do something with the knowledge they are obtaining. One workshop is not sufficient as there are many topics and issues that need to be addressed. If too much is covered in one workshop, participants would likely feel overwhelmed or discouraged. Additionally, as

part of the end-of-workshop questionnaire, an additional question will be asked: “What do you think you will do with the information from tonight’s workshop?”

An initial workshop similar to the one used in this research study should be followed by a hands-on workshop in a computer lab or where all participants have access to a laptop or computer. Individuals could work on either their own information or in small groups on a scenario created that could demonstrate some of the questions they had as a result of the initial workshop.

Accommodation of Different Learning Styles

This workshop and my overall direction involved the use of technology. While this appeared to be effective for the participants of the workshops, participants expressed a desire for more hands-on experience and possibly some small group activities. Since different individuals have different learning styles, future workshops will explore ways to accommodate different learning styles.

Other Ethnicities, Educational Levels, and Socioeconomic Groups

Similar research studies that focus on other ethnic groups, educational levels, and socioeconomic groups will be conducted as no conclusions can be drawn about other types of individuals. Research studies similar to the focus of this study involving individuals of different ethnic and/or socioeconomic groups will likely reveal different levels of financial literacy and needs.

One important conclusion from this study was that being white and educated did not necessarily result in strong financial preparation for retirement or strong financial literacy skills. If this group was not ready financially for retirement, was anyone?

Tracking the Longer Term Impact of Increased Financial Literacy

Individuals who participate in the proposed series of workshops could be tracked over a period of time to measure if there are long-term, positive effects from participating in such workshops. All workshop participants indicated they had had a positive experience during the workshop and felt optimistic about moving forward in taking control of their financial situation and retirement planning. Did the workshop had or will have any long-term impact on the participants? If a series of workshops was offered and a core group of individuals attended all those workshops, it would be informative to work closely with these individuals to gather concrete evidence of the positive longer term impact of those workshops. It would also be interesting to track whether their increased knowledge and confidence resulted in stronger financial gains (or lesser financial losses).

Without following these individuals over the next year or so, it is difficult to know if their increased knowledge and confidence would actually result in a more active role in financial planning and a more assertive role in their relationships with their financial professionals. It was also not known if the increased knowledge and confidence would lead to “better” decisions related to managing their financial matters between now and retirement. If participants actually did begin to take a more active and confident role in their relationships with their financial professionals, it would be important to talk to those financial professionals to determine whether

those professionals viewed the power balance between them and their clients as having changed – and changed for the better.

Impact on the Fields of Adult Education and Business

Adult educators can benefit from this research study by examining their assumptions about white, well-educated individuals. While most financial literacy programs seem developed in the belief that “one size fits all,” different ethnic groups, age groups, and socioeconomic groups have different needs. Additionally, most financial literacy programs tend to measure the “immediate” impact of participation in such programs; everyone learns and applies new knowledge in different ways on different timetables. Thus the longer term impact of financial literacy programs needs to be addressed as short-term enthusiasm (from participation in a financial literacy program) may or may not translate to concrete changes in actual behavior.

Related to the field of business, any advisor of a financial benefit or service must understand his/her position of power in working with individuals, even educated, white individuals such as those who participated in this study. As noted above, one important conclusion from this study was that being white and educated did not necessarily result in strong financial preparation for retirement or strong financial literacy skills. If this group was not ready financially for retirement, was anyone? Financial professionals cannot assume that someone who was white and educated was also financially literate (or more financially literate than those not white and/or educated).

As indicated by this research, financial literacy will remain an important issue for our society to address. Given the economic difficulties we came through and are now beginning to reverse, it will be even more critical for people to understand financial concepts and dealings so they can protect and grow the assets they have.

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