# Financial I.Q. Of Americans Is Not High


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**STRATEGIES**
JEFF SOMMER

Overconfidence about money is dangerous, putting many at risk.

Americans have grown more confident about their financial acumen since the market meltdown that ended in 2009. Yet they seem to know less about the subject than they did then.

And most people didn't even know much about it in 2009.

These troubling conclusions arise from the latest data in a long-running study by the Finra Investment Education Foundation, which has been assessing Americans' financial knowledge, attitudes and well-being for years.

The study is based on an online survey of more than 25,000 people. While it contains some positive news about household finances, many of its findings are discomfiting. In fact, they suggest that misplaced self-confidence is putting millions of people at risk. They are vulnerable to major missteps — and to exploitation by industry pros who may not have their best interests at heart.

Over all, the study found that most Americans have "relatively low levels of financial literacy." It included the results of a six-question quiz on fundamental financial issues that may be taken online. The questions were intended to be basic. Yet the average person got only about half the answers right.

Five of the questions have been on the quiz for years, making statistical comparisons possible. The trend is not encouraging. Only 37 percent of the people who took the quiz were able to get four of these five questions right in 2015. That compares with 39 percent in 2012 and 42 percent in 2009.

The worst performance was on a question about how bond prices respond to rising interest rates. Only 28 percent of people in 2015 got that one right. The correct answer is that bond prices will fall.

The new question in the quiz focuses on a problem that lands many people in trouble when they pay only the minimum each month on their credit card balances: compound interest.

"Suppose you owe $1,000 on a loan and the interest rate you are charged is 20 percent per year compounded annually," the quiz asks. "If you didn't pay anything off, at this interest rate, how many years would it take for the amount you owe to double?"

The correct answer is two to four years (actually, it is about 3.6 years, but it's a multiple-choice quiz). Most people thought it took much longer. As the study points out, this lack of knowledge hurts now and could become lethal: When interest rates rise, if you ignore compound interest, you can drown in debt.

An alarming aspect of the study is that although most people knew very little, they felt great about what they knew — or thought they knew. "Americans tend to have positively biased self-perceptions of their financial knowledge," the study said.

And the positive bias has been increasing. The study found that 76 percent gave themselves a "very high" rating on financial knowledge in 2015, compared with 73 percent in 2012 and 67 percent in 2009. And while 81 percent of Americans rated their own financial behavior positively, the study found a "potential disconnect between perceptions and actions in day-to-day financial matters."

Large numbers of people, for example, said they were running up late fees and interest payments on credit cards, overdrawing bank accounts and borrowing money from costly nonbank sources.

The good news is that many households are in better financial shape than they were in 2009 — but then, they ought to be, because financial conditions are much better. In that period, as an example, only 24 percent of home buyers paid more than than 20 percent of the purchase price as a down payment. By 2015, people were behaving more conservatively: a third managed to make that big a down payment. And in 2015, fewer people were having trouble paying their bills and more people said they were comfortable with their financial condition.

Still, the survey found that significant hardships continued. Most Americans are still worried that they won't have enough money to retire, but only 39 percent have ever tried to figure out how much they will need.

When financial conditions worsen, indicators of financial well-being will certainly decline. But unless the state of financial literacy improves, many people won't be equipped to deal with these problems.

Financial literacy programs in schools are helpful, but most students still aren't required to take them. Government efforts to require financial advisers to follow a fiduciary standard — to put the interests of clients first — are underway but are still incomplete.

In the world we live in, misplaced self-confidence is dangerous. The reality is that a great deal more needs to be done.

# Charity Ratings Tweaked

**YOUR MONEY**
ANN CARRNS

Charity Navigator, which rates charities on a zero- to four-star scale, has changed the way it assesses a charity's financial health, but it left intact the way it rates a group's "accountability and transparency."

Charity Navigator is one of the more influential charity assessment organizations, rating about 8,000 charities. Many groups consider the rating "absolutely critical to attract new resources and donors," said Elizabeth Ashbourne of the Partnership for Quality Medical Donations, a nonprofit.

Michael Thatcher, president of Charity Navigator, said website users will still see charities rated on an overall scale of zero to four stars. The new ratings mean donors "can have even greater confidence in the financial health of the charities they choose to support," Mr. Thatcher said.

For example, ratings for expenses for program costs, administration and fund-raising were calculated by averaging data from the charity's three most recent fiscal years, rather than using data from the most recent fiscal year. That approach helps eliminate wide swings in a charity's rating from year to year, Mr. Thatcher said, and more accurately portrays a charity's financial health. A new measure was added to calculate the ratio of a group's liabilities to assets, to flag excessive debt.

The new system also tweaks the way a charity's administrative expenses, or overhead, are evaluated. Under the old system, charities could not score a "perfect" 10 points unless they had no administrative expenses. Under the new system, charities can get a 10 if they score within a given range for their type of nonprofit group — and 49 charities did. Nearly three-quarters of charities saw no change in their overall ratings under the new system. About 19 percent of charities saw their ratings go up, while about 8 percent went down.

**Q & A**

¶ **Should I worry if my favorite charity's rating drops?**
"We don't advocate that a donor jump ship if a rating changes," said Sandra Miniutti of Charity Navigator. Rather, a change suggests that donors should seek more information from the charity and see if it offers a good explanation.

¶ **Why doesn't Charity Navigator rate a charity's operational effectiveness?**
Charity Navigator's long-term goal is to provide an assessment of how effective each charity is in accomplishing its mission. That takes time, since each type of charity may use different criteria. "The hard part," Mr. Thatcher said, "is figuring out just what each should be measuring."

¶ **What other sources are available to help me assess a charity?**
Other sources include BBB Wise Giving Alliance, CharityWatch and GiveWell.

# Companies Help Seniors Downsize and Relocate

**PERSONAL**
KAYA LATERMAN

EMON HASSAN FOR THE NEW YORK TIMES

DOWNSIZING DILEMMAS **Dr. Phyllis Harrison-Ross hired Paper Moon Moves to help sort, donate, sell, trash and move her possessions from her New York apartment of 48 years.**

In her long career as a psychiatrist, Dr. Phyllis Harrison-Ross has been described by friends and colleagues as practical and calm. But two other traits, humor and patience, went out the window when she decided to downsize.

"You ask yourself what you want to keep, and the answer is 'everything,'" said Dr. Harrison-Ross, who turns 80 soon.

Her solution: Dr. Harrison-Ross hired a senior move manager.

Moving is stressful at any age, but for those who have lived in one place for many years, getting rid of things accumulated over decades is a large barrier to overcome.

Senior move managers specialize in the issues that comes with downsizing, including donating and selling items and hiring movers. They also deal with family members who may want items sent to them. They pack and unpack. Most also help declutter and organize the homes of seniors who wish to stay put.

The specialty is new, so no one can estimate just how many senior move managers there might be in the United States. But Mary Kay Buysse, the executive director of the National Association of Senior Move Managers, said: "We know members managed over 100,000 senior moves last year." She added that total revenue among the members was about $150 million last year.

"There were rooms I didn't go into for days," said Dr. Harrison-Ross, who has lived in her apartment for 48 years.

She found a spot in an apartment building for seniors on the Upper West Side, but knew she was in trouble when her first impulse was to "stick everything I had into storage and forget about it unless I needed something."

Her real estate agent referred her to Katie Hustead, who with her husband, Joseph Weston, runs Paper Moon Moves, a Brooklyn company specializing in seniors.

**Paring the possessions collected over a lifetime can be traumatic.**

Most senior move managers in New York charge about $100 per hour, higher than the national average. In a 2014 survey conducted by the National Association of Senior Move Managers, 50 percent of the respondents said they charged between $41 and $60 per hour.

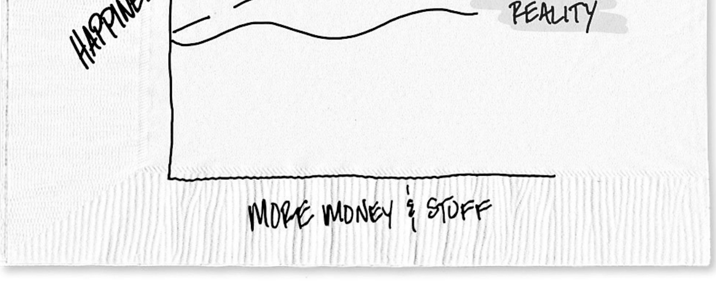
Ms. Hustead said she likes potential clients to get in touch with her about six weeks before a planned move date. She will then sort and inventory all the items in the client's home and determine what should be donated to charity, given to a friend or relative, sold or trashed. To decide which furniture to move into a client's new home, Ms. Hustead uses Mark On Call, an interior design app, on her iPad, to help clients visualize what furniture fits in what room.

"This is helpful because it shows the client that you can't bring everything, because it simply won't fit," Ms. Hustead said.

Items with monetary value are either handed over to auction houses, which take a commission after the items are sold, or to estate liquidators and dealers, who give the seller money upfront.

Move managers can be found online. Many are referred by real estate agents, estate lawyers, geriatric care managers and staff at senior living facilities.

# More Stuff Doesn't Make Us Happier




CARL RICHARDS

**SKETCH GUY**
CARL RICHARDS

What is the one thing that would make you much happier?

A new car? A promotion? A bigger house? A raise? A yacht? If you said anything — except a wish for deeper and more long-lasting relationships — you're probably wrong. Happiness doesn't come from more money, more stuff or even big life events like getting a raise or landing that dream job.

A study from the 1970s by Philip Brickman, Dan Coates and Ronnie Janoff-Bulman for the Journal of Personality and Social Psychology even found that lottery winners were no happier than those who didn't win the lottery. If winning the lottery doesn't bring happiness, how likely is it a boat will?

Not long after my wife and I married, we were excited and had big dreams about the future. We started talking about money. While I can't recall the exact number, I do remember saying something like, "If I can just make X dollars, we'll be so much happier."

It seems so shallow to think that some thing or number will make me happier. But then I realize how often I have heard others say it. Even more common is how often I see that underlying assumption play out in our behavior. We pass up life-changing experiences because we're on track to become partner. We skip meaningful time with our families so we can respond to one more email. I assume this is all in pursuit of what we think will make us happier.

Unfortunately, this pursuit is futile. In fact, academics have a name for fixating on what we don't have, getting that thing, not ending up any happier and then fixating on something else. They call it the hedonic treadmill. Despite our efforts, we never get anywhere. We experience small ups and downs, but by and large, our happiness stays the same.

I've been on the hedonic treadmill for over 20 years. I'm sick of putting happiness on some unattainable pedestal, forever out of reach. I'm trying something different. Instead of hopping on that treadmill each morning, hoping that day is the day it will make me measurably happier — and for me, that has meant skis, houses and plenty of other stuff — I'm moving. I'm leaving the country for a year and heading to New Zealand.

I'll still be writing, but I'll also be leading my family on an incredible adventure, while trying to spend more meaningful time doing things that actually bring me (and them) happiness. Hopping off seems like our quickest route to being as happy as we possibly can be. Stay tuned.