



A Proven Solution for Reducing Financial Stress by Advancing Financial Literacy

Cygnets Institute of Personal Financial Literacy

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Background

Cygnets Institute of Personal Financial Literacy is a §501(c)(3) non-profit educational organization (IRS determination 4/15/2016) that brings a field-tested, fresh, and unique experiential¹ educational approach to the marketplace of solutions attempting to address employee financial wellness and retirement preparedness.

The Institute's financial education curriculum is based on instructor-led workshops and training material developed in the 1990s by Financial Freedom House (FFH); an independent SEC Registered Investment Adviser Ted incorporated in 1983. This field-tested content has been appropriately revised for use by Cygnets Institute in conjunction with the Institute's mission as stated in the IRS application for tax exempt status: *to educate adults in economic matters in order to enhance their ability to make good financial decisions and through their improved financial literacy enhance quality of life for themselves as individuals and the community in which they work and/or live.*

The interactive and instructor-led design of the Institute's workshops incorporates an understanding of the traps of behavioral bias² with often interferes with established principles of financial planning and investment management.

This integrated approach allows us to fulfill our nonprofit mission of educating adults in economic matters to enhance their ability to make good financial decisions. Not only does improving economic literacy enhance the quality of life for the individual, but the benefits carryover to those within those communities in which they work and live.

Workplace Financial Literacy

401(k)-style qualified retirement plans are governed by ERISA and must be operated for the sole and exclusive benefit of plan participants. Unfortunately, many 401(k) plan participants generally lack the requisite knowledge and skill in actuarial and investment decision-making necessary to correctly plan for their retirement³.

This presents the plan sponsor and trustees with a dilemma. How do they fulfill their fiduciary duty to assure the 401(k) plan fulfills its stated purpose of enabling employees to save and prepare for retirement, without falling into the trap of providing advice to their employees or introducing conflicts of interest into the plan which could result in a prohibited transaction?

Initial efforts taken by plan sponsors and trustees to address their employees' financial education needs created a potential fiduciary risk for them. Employers would arranged to provide their employees with free financial education by individual advisers whose compensation was connected to financial sales in general and 401k rollovers in particular.

The financial industry⁴ and retirement plan service providers sought to address this concern by developing educational seminars, workbooks, and online content. Although this was a good first step, mere knowledge does not automatically translate into skill or competence. The result is a level of new-found knowledge, which in the absence of competence, can lead to a dangerous level of false confidence. The result is generally bad decisions which often creates financial stress for the individual and their family⁵. This stress tends to increase financial fragility⁶ that in turn diminishes the individual's financial wellness; all of which has been documented⁷ to negatively impact productivity and retention in the workplace.

¹ Kolb's Learning Styles and Experiential Learning Model <http://www.nwlink.com/~donclark/hrd/styles/kolb.html>

² Investors' 10 Most Common Behavioral Biases <https://rpseawright.wordpress.com/2012/07/16/investors-10-most-common-behavioral-biases/>

³ Needed skills: The 2018 TIAA Institute – GFLEC Personal Finance Index <https://www.tiaainstitute.org/publication/2018-tiaa-institute-gflec-personal-finance-index>

⁴ Spending on Financial Education vs Financial Marketing; CFPB https://files.consumerfinance.gov/f/201311_cfpb_navigating-the-market-final.pdf

⁵ Stress in America; American Psychological Association <https://www.apa.org/news/press/releases/stress/2017/state-nation.pdf>

⁶ Financial Fragility; George Washington University-NEFE Project <https://www.nefe.org/Portals/0/WhatWeProvide/PrimaryResearch/PDF/Financial-Fragility-Final-Report-04-15-2018.pdf?ver=2018-04-16-105237-563>

⁷ Employee Financial Wellness Survey, May 2018; PriceWaterhouseCoopers <https://www.pwc.com/us/en/industries/private-company-services/library/financial-well-being-retirement-survey.html>

Shortfalls of the current financial education and literacy efforts directed at employees include the following:

- Limited utilization by employees of the available web-based tools
- Subtle conflicts of interest in the education provided by representatives of 401(k) plan services providers
- Limited value of the investment advice delivered by investment company representatives and brokers
- Refusal or inability of advisors to formally adhere to the fiduciary standard of care
- Not teaching the underlying economic concepts, participants' ability to build a proper retirement plan diminishes

Proven Solution

Cygnnet Institute can help. Our experience in the field of adult economic literacy education goes back to 1989. Since then, our focus has been on the continuous development and refinement of workshops that succeed due to certain characteristics:

- Experiential design which allows participants to learn from building their own financial/retirement plan in class
- Transparency in the way we guide participants to eliminate any hints of a secondary agenda
- Mass Customization makes possible a high level of financial advice delivered confidentially in a group setting
- Self-Completing means participants end up with a real plan that they have confidence in and can act on
- Fiduciary Standard permeates all content and is adhered to in the delivery of the material
- *Prohibition of sales, cross-sales, or any solicitation of workshop participants to make them clients*

Cygnnet Institute's commitment to adult economic literacy is reflected in our accomplishments. Below is a list of employer and union funded engagements and community contributions:

- Employer paid financial wellness workshops for the salaried employees at GM Powertrain 1992-96
- Workshops for UAW-GM employees under the Tuition Assistance Plan 2004-06 working with Walsh College and more recently since 2017 working with Oakland Community College
- Buyout workshops (2005-2008) for the Foundation Coal company in Pennsylvania, West Virginia, and Wyoming
- 401(k) Retirement Planning workshops for A&P/Farmer Jack employees 2002-07
- 401(k) workshops for Amerisure headquarters employees to supplement Vanguard's efforts
- Fiduciary, experiential seminars presented in many north Oakland County libraries since 2011
- Partner in the Federal Reserve Money Smart Week program since 2004

There are many reasons for implementing a financial literacy program; selecting one that helps employees improve their personal financial management skills is essential in reducing financial stress. The resulting improvement in employees' financial wellness has been proven to translate to improved productivity and retention.

In my 30+ years of conducting workshops I have observed that peace of mind occurs when people...

- Take personal financial responsibility for themselves
- Become confident enough to make good financial decisions
- Realistically redefine lifestyle quality
- Break consumption driven spending patterns
- See and understand the future

Teaching people how to control their finances gives them a level of contentment which results in...

- Less stress with financial and career related issues
- Realistic expectations with career and quality of life choices
- Improved lifestyle quality through proper financial management

Cygnnet Institute's modular design process can provide custom built experiential Financial Education programs that address the specific needs of employees for any size organization in the most cost-effective manner possible. *We are the highest quality and lowest cost provider of Personal Financial Literacy programs—that actually work—in the marketplace.*

Please visit our website www.CygnnetInstitute.org to learn more.