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2023 Personal Finance Year in Review

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2023 Personal Finance Year in Review



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This material is based upon work supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, and the Office of Military Family Readiness Policy, U.S. Department of Defense under Award Number 2019-48770-30366 & 2023-48770-41333.

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Today's Presenter



Dr. Barbara O'Neill

Distinguished Professor Emeritus
Rutgers University

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Introduction & Disclaimer Statement



**Dr. Barbara
O'Neill,
CFP®, AFC®**

The presenter does not sell financial products or services.

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Disclaimer

Today's presentation is education, not advice.

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2023 Personal Finance Year in Review Agenda

- Discuss key research findings from 2023
- Discuss key financial events & trends from 2023
- Discuss key military finance trends from 2023
- Preview announced financial changes for 2024
- Q&A

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Share
your
answers
with us in
the chat
pod!

What do **YOU** think
was the biggest
financial news story
of 2023?



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Research: Financial Education in America

Urban, C. (2023). *Financial education in high schools across America: Trends and statistics.*

<https://papers.carlyurban.com/Report2023.pdf>

Financial education access has expanded dramatically in last 4 years. In the 2022-2023 academic year, over 2.6 million students had access to financial education.

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Research: IRA Ownership & Contributions

Investment Company Institute. (2023). The role of IRAs in U.S. households' saving for retirement *ICI Perspective*, 29(1).

https://www.ici.org/system/files/2023-02/per29-01_0.pdf

In mid 2022, IRAs were 11% of household assets (up 3% from 2002). However, only 36% of U.S. households made contributions to traditional and Roth IRAs.

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Research: Husband & Wife Earnings

Pew Research Center. (2023). *In a growing share of U.S. marriages, husbands and wives earn about the same.*
<https://www.pewresearch.org/social-trends/2023/04/13/in-a-growing-share-of-u-s-marriages-husbands-and-wives-earn-about-the-same/>

Women's financial contributions have grown steadily for 50 years: *the share of women who earn as much or more than husbands has roughly tripled.*
In 29% of couples, spouses earn about the same.
Women still have a heavier time load for household chores and caregiving.

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Research: Financial Planning Personal Attributes

Wann, C.R. & Burke-Smalley, L.A. (2023). Attributes of households that engage in higher levels of financial planning. *Journal of Family and Economic Issues*, 44, 98-113.
<https://link.springer.com/article/10.1007/s10834-021-09805-0>

A greater level of financial planning was associated with a positive response for: *planning for retirement, saving for emergencies, and establishing a will.*

Use of financial websites or apps was positively related to higher levels of financial planning.

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Research: Financial Advice-Seeking

Ludwig, E.T., Heckman, S.J., & McCoy, M. (2023). The Influence of risk, financial literacy, and trust on financial advice-seeking behavior in a cross-racial examination. *Journal of Financial Planning*, 36(2).

<https://www.financialplanningassociation.org/learning/publications/journal/FEB23-influence-risk-financial-literacy-and-trust-financial-advice-seeking-behavior-cross-racial-OPEN>

Black respondents were less likely than white respondents to utilize a professional for investment decisions and more likely to seek out non-professional sources. Income, education, age, and financial literacy were significant and positively associated with financial advice-seeking.

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Research: Social Media Investment Advice

Reiter, M. Quing, D., & Nations, M. (2023). Who uses social media for investment advice? *Journal of Financial Planning*, 36(9).

<https://www.financialplanningassociation.org/learning/publications/journal/SEP23-who-uses-social-media-investment-advice-OPEN>

Investors using social media for investing decisions are: *younger, less likely to be women, less likely to have higher-value portfolios, and have lower objective financial knowledge.*

Social media users trade more often than non-social media users.

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Research: Longevity Illiteracy

Global Financial Literacy Excellence Center & TIAA Institute. (2023). *Financial literacy, longevity literacy, and retirement readiness*. https://www.tiaa.org/content/dam/tiaa/institute/pdf/insights-report/2023-01/longevity_literacy_financial_literacy_and_retirement_readiness.pdf

Only 35% of Americans knew the average lifespan of retirees. The longevity literacy of women was greater than men (43% vs. 32%). Both financial literacy and longevity literacy were positively associated with retirement readiness.

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Longevity Literacy Quiz Question 1

On average in the U.S., how long will a 65-year-old man live?



- a) About 14 more years (age 79)
- b) About 19 more years (age 84)
- c) About 24 more years (age 89)
- d) Don't know

Please respond using the poll pop-up feature.


Сашка Шаргаева on Adobe Stock

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Longevity Literacy Quiz Question 2

On average in the U.S., how long will a 65-year-old woman live?



- a) About 17 more years (age 82)
- b) About 22 more years (age 87)
- c) About 27 more years (age 92)
- d) Don't know

Please respond using the poll pop-up feature.

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The Longevity Literacy Quiz

1. On average in the U.S., how long will a 65-year-old man live?
 - a) About 14 more years (age 79)
 - b) About 19 more years (age 84)
 - c) About 24 more years (age 89)
 - d) Don't know
2. On average in the U.S., how long will a 65-year-old woman live?
 - a) About 17 more years (age 82)
 - b) About 22 more years (age 87)
 - c) About 27 more years (age 92)
 - d) Don't know
3. In the U.S., what is the likelihood that a 65-year-old man will live at least until age 90?
 - a) About 10% (1 in 10)
 - b) About 30% (3 in 10)
 - c) About 50% (5 in 10)
 - d) Don't know
4. In the U.S., what is the likelihood that a 65-year-old woman will live at least until age 90?
 - a) About 20% (2 in 10)
 - b) About 40% (4 in 10)
 - c) About 60% (6 in 10)
 - d) Don't know
5. In the U.S., what is the likelihood that a 65-year-old man will not live beyond age 70?
 - a) Under 5%
 - b) Between 5% and 10%
 - c) Over 10%
 - d) Don't know
6. In the U.S., what is the likelihood that a 65-year-old woman will not live beyond age 70?
 - a) Under 5%
 - b) Between 5% and 10%
 - c) Over 10%
 - d) Don't know

Source: Global Financial Literacy Excellence Center and TIAA Institute

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Research: Financial Distress

Rhu, S. & Fan, L. (2023). The relationship between financial worries and psychological distress among U.S. adults. *Journal of Family and Economic Issues*, 44, 16-33.
<https://link.springer.com/article/10.1007/s10834-022-09820-9>

Higher financial worries were significantly associated with high psychological distress. This association was more pronounced among the unmarried and the unemployed, lower-income households, and renters, perhaps due to limited coping resources. Conversely, employment, income, and assets are protective factors against distress.

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Research: Financial Well-Being (FWB)

Yakowski, P., Lusardi, A., & Hasler, A. (2023). *Financial well-being and literacy in a high-inflation environment: The 2023 TIAA Institute-GFLEC personal finance index*. SSRN.
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4555538

One-quarter of employed adults decreased their retirement savings from 1/22 to 1/23. The share of adults who found it difficult to make ends meet rose (24% to 30%).

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Research: Buy Now, Pay Later

Schulz, M. (2023). *Americans using BNPL to make ends meet*. Lending Tree. <https://www.lendingtree.com/personal/bnpl-ends-meet-survey/>

Buy Now Pay Later (BNPL) is no longer for discretionary purchases. Millions of Americans use BNPL as a financial lifeline. 27% of BNPL users use BNPL loans as a “bridge” to their next paycheck.

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Research: Financial Behaviors of Military Households

Wilmarth, M.J., Kim, K.T., & Henager, R. (2023). Exploring financial behaviors of military households: Do financial knowledge and financial education matter. *Financial Services Review*, 31, 35-54.
https://www.researchgate.net/publication/373703498_Exploring_financial_behaviors_of_military_households_Do_financial_knowledge_and_financial_education_matter

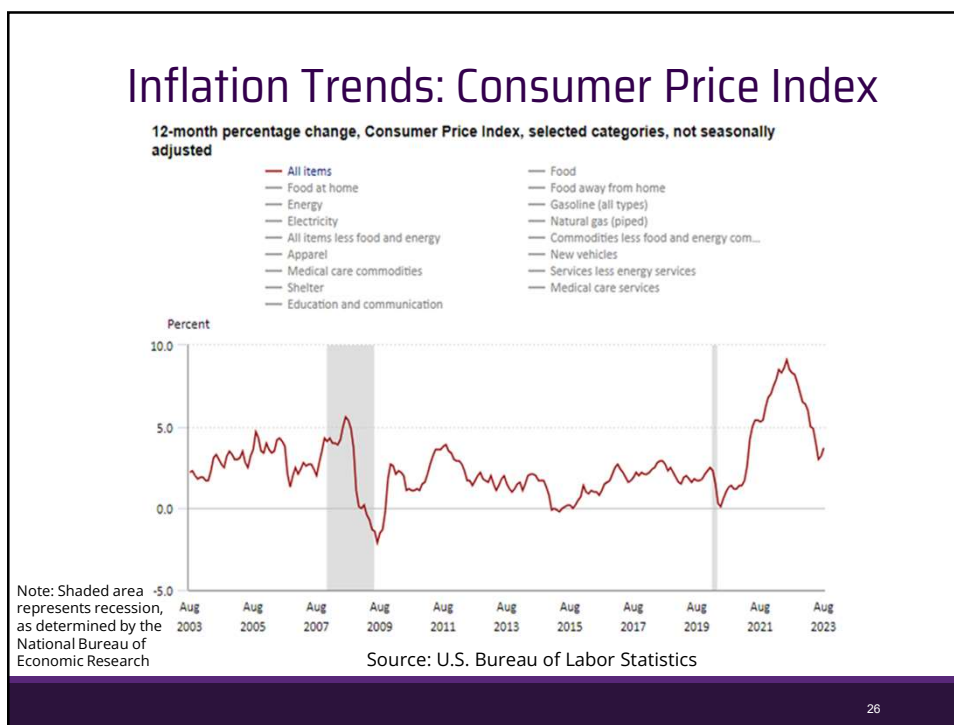
Military households had higher financial knowledge scores, greater receipt of financial education, and more positive financial behaviors than civilians. For military households, experiencing financial education was positively associated with long-term financial behaviors.

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Interest Rates

- Federal Reserve interest rate hikes
- Impacts on consumers
- “Golden handcuff” mortgages

Cagkan/AdobeStock

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Credit

- Average credit card APR
- Credit card debt milestones
- Increased delinquencies

SDIProductions/iStock.com

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Student Loans

- Supreme Court loan forgiveness decision
- Saving on a Valuable Education program
- Debt relief workarounds
- Payment resumption

BrianAJackson/Stock.com

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Housing-Homeownership

- Record mortgage rates
- Unaffordability for many
- Low turnover housing market
- Assumable loans and ARMs
- Appraisal gaps
- \$2,000/month mortgages

Jtancani/Pixabay

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Housing-Renting

- Rent increases slowed
- Rent remains costly
- Rent statistics

Dragana Gordic/AdobeStock

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Banking

- Silicon Valley Bank failure & FDIC intervention
- First Republic Bank rescue
- Money on the move
- Savings account yields

Ales Utovko/Stock

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Saving

- U.S. savings rate
- Lower pandemic cushions
- CD laddering
- Money market funds have a moment
- Millennial retirement savings

fizkes/Stock.com

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Investing in General

- Stock volatility and outflows
- Inverted yield curve
- Increased interest in bonds
- TINA (There is No Alternative) to stocks died?
- Money market mutual funds yield record

Adam121/Adobe Stock

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Investing: Stocks & ETFs

- Increased interest in dividend ETFs
- Stock market volatility
- IRAs via a trading app
- DJIA index record
- Stock rally millionaires
- Low ETF fees

joyfotolakiid/AdobeStock

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Employment & Jobs

- Unemployment rate
- Pay gains
- Layoffs and strikes
- Return of prime age working women
- Jobs reports defied expectations

Prostock-studio/AdobeStock

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Shopping & Spending

- Subscription cancellations
- “Premiumization”
- Increased BNPL credit standards
- Trading down
- Childcare costs

vgajic/Stock.com

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Cars & Car Unaffordability

- Average auto loan interest
- Average new car payment
- Used car scarcity
- Price point milestones
- \$1,000/month payments

Kimly/AdobeStock

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Insurance

- Soaring property insurance premiums
- Limited sales in high-risk areas
- Increase in risky insurance practices
- Increased health insurance costs
- Flood insurance increases coming

Jjirsak/AdobeStock

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Taxes

- Tax season stats
- Beneficiary RMD leniency
- Tax withholding

1040 U.S. Individual Income Tax Return Madrolly/AdobeStock

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Retirement Planning for Young Adults

- 2023 SSA Trustees report
- Savings need projection
- Quarter of coverage
- More time to grow savings

tomertu/AdobeStock

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Miscellaneous Financial Events

- Sports betting
- Increased use of generative AI
- No recession...yet
- GDP growth
- Financial anniversaries

Konstantyn/AdobeStock

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Government Legislation & Policies

- First year of SECURE 2.0
- Medicaid for food
- Guaranteed financial education
- Two more years of TCJA law
- EV purchase rules

Projector/AdobeStock

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2023 Military Personal Finance Events



iStock by Getty Images via Pexels

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Military Financial Events: Pay & Benefits

- Pay increases
- Allowances increases
- Basic Needs Allowance (BNA)
- VA drug coverage

Photo by Kristen Wong/dvidshub

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Military Financial Events: Military Consumer Protections

- Harris Jewelry case
- RMK Financial case
- Military Consumer Protection Month
- DFAS pretexting scams

monkeybusinessimages/Stock.com

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Military Financial Events: Military Family Quality of Life

- Food insecurity initiatives
- Dependent Care Flexible Spending Account
- Parental leave
- Taking Care of Our People

Photo by Maj. William Carraway/dvidshub

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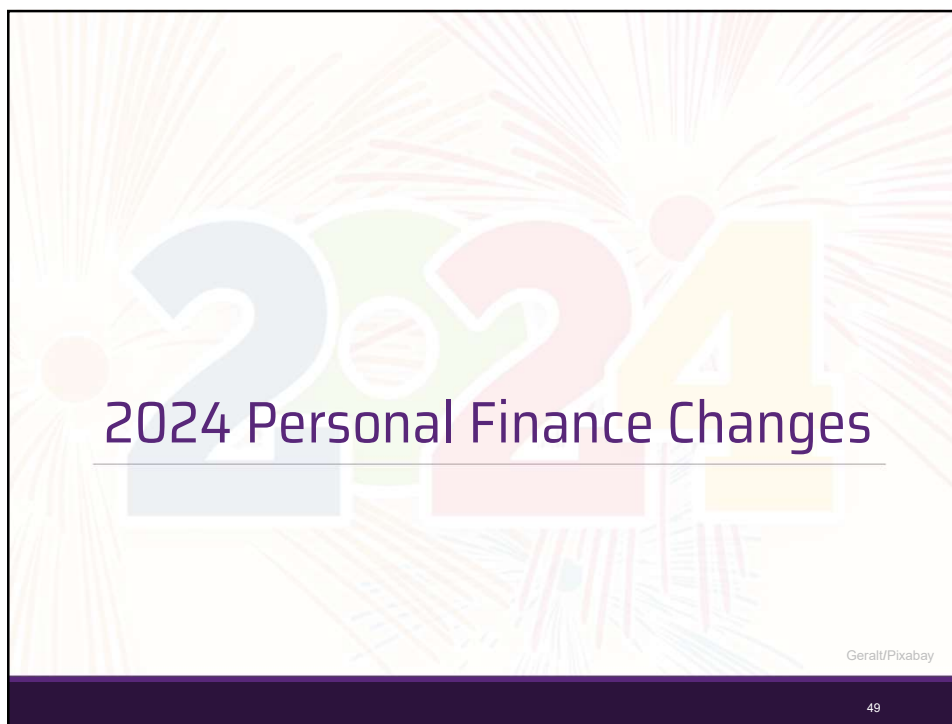
Military Financial Events: Miscellaneous

- Student loan repayments
- SGLI insurance
- Survivor Benefit Plan open season

Nicholas Felix/peopleimages.com/AdobeStock

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Other 2024 Tax Law Changes

- Tax bracket inflation indexing
- Standard deduction
- Saver's Credit
- Gift tax exclusion
- Lifetime gift/estate tax exclusion

Worranan/AdobeStock

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Key Takeaways

- Inflation remains elevated
- Housing and vehicle unaffordability
- Credit card interest rate and debt records
- Stock volatility and stock alternatives
- New quality of military life policies

Respiro888/AdobeStock

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Reflection Question

What is the most interesting thing that you learned today?

One thing I already knew:

One thing I learned:

One thing that I will share with a client, family member, or friend:

One personal behavior change that I will make

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Questions?



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Upcoming Event



2024 Tax Updates: What Service Providers Need to Know

Tuesday, January 30, 2024
11:00 AM-12:30 PM ET

Continuing education credit will be available for this session!

<https://oneop.org/learn/160012>

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- **Certified in Family and Consumer Sciences** by the American Association for Family and Consumer Sciences (AAFCS)
- **Certified Personal & Family Finance Educators** by the American Association for Family and Consumer Sciences (AAFCS)
- **Certificate of attendance** is available

Evaluation Link

Go to the event page for the evaluation and post-test link.

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Questions?

Email Kristen Jowers:
OneOpPersonalFinance@gmail.com

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