Financial literacy and women: How well do single women plan for and save for their retirement?

Literature Review and Rationale for study:

A number of recent studies of financial literacy have had some surprising results when surveying college students. For one, research has found that community college students have scored higher than traditional 4-year college students on literacy tests (Money Matters on Campus, (2015)). Additionally, students attending 4-year private institutions have outperformed students at public 4-year universities (Money Matters on Campus, (2014)), and repeatedly, studies have found that men have outperformed women on basic financial literacy comprehension (Hung, Yoong, & Brown, (2012), Chen and Volpe, (2002)).

Given that in the last decade, the number of women in college has exceeded the number of men in college, these results are both disappointing and surprising. While business schools as a whole still enroll more men than women, approximately 40% of graduate (MBA) applicants to business schools in the last three years have been/ are women (Graduate Management Admission Council, 2015), and increasingly, demographic changes such as the postponement (or even rejection) of marriage, higher divorce rates, longer life spans, and other factors have made it more important than ever that women be able to manage and understand financial management principles.

As a finance professor to mostly college juniors and seniors, and frequently graduate students, I've often wondered just how much is understood about saving for retirement? Often the questions asked in class lead me to believe that there is a lack of understanding and poor execution in managing one's finances. The current literature in this area confirms this, since a number of studies of students and financial literacy have been conducted by a number of private research companies for publication in investment popular press articles, as well as by some faculty for purposes of research publication (See Lusardi and Mitchell, 2010/2011 Working paper.)

In the United States, trends in the past three decades have been increasingly away from company-sponsored retirement (defined benefit plans,) where an individual was assured a certain level of retirement payout dependent solely on working a certain number of years for an employer, to defined contribution plans, where an employer sets aside a certain amount of money towards retirement for employees, but for which the employee him or herself is responsible for the management and investment choices for those funds, and nothing is guaranteed for the future when the employee actually does retire. This change has been driven by a number of factors, not the least of which is risk minimization. Defined benefit plans were much riskier for the employer, whereas the current trend of defined contribution plans puts the greater risk of poor markets and poor decisions onto the shoulders of the

worker. Given this lack of a retirement financial guarantee, it is more important than ever that all employees - men and women alike - understand basic investment and financial principles, as their retirement largely depends on their understanding of financial options and instruments and on making good choices.

In Europe, employees are working in a system which still mirrors the pension plans of old in the USA, often with very generous retirement benefits (Melbourne Mercer Global Pension Index, 2013). Therefore, one could argue that financial management skills aren't as critical for those populations as they are for employees in the USA.

This paper proposes to survey working single women in two countries: The Netherlands, and the USA, to measure their financial literacy. The hypothesis being tested is whether working American women score higher in their understanding of financial literacy principles than their counterparts in a country with a strong government-sponsored retirement program in place.

This research will build on additional research I am working on presently that is comparing financial literacy of college students from three different countries (USA, Greece, and Spain.) I have gathered the data for that study and am in the process of organizing it for further analysis.

Research Hypothesis:

I expect to find a higher level of literacy in the USA, given that women here cannot (with few exceptions) rely on their employer to assume the risk of their having a comfortable retirement nest egg. According to the Mercer study cited earlier, the Netherlands is ranked second best in the world, behind Denmark, in terms of their generous retirement plans. I expect to see that women in the Netherlands may not have the same degree of financial literacy when it comes to making decisions today affecting future retirement, since the responsibility and risk for their having a comfortable retirement is borne by their government.

Prior to conducting any survey distribution or interviews, I will pursue approval from my university's IRB, securing all necessary permissions.

Thank you for your consideration for this grant. Please contact me with any questions or if additional information is needed. My one-page budget is attached, as is my CV.

Debbie Psihountas, Ph.D.
Webster University
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Proposed budget:

Amazon survey tool: $300 (This will be used before travel to start sourcing potential interviewees in the Netherlands to make maximum use of my time in-country.)

Travel to the Netherlands for in-person interviews:

Flight:	$1500.00
Lodging:	$ 2000.00
Meals:	$ 450.00
Local transportation:	$ 150.00
Miscellaneous Travel	$ 200.00

Funding for a graduate research assistant to help with data entry and organization:

$2000.00 (100 total hours at $20 per hour)

Copying expense, journal submission fees:

$200.00

Total as proposed: $6800.00

NOTE: The researcher is willing to share her data with others wanting to use it, and will even collaborate with them prior to the trip if there are specific questions which, if included in the survey/interview process, will assist with a completion of a second household retirement or related study utilizing this same population of individuals.

Secondly, while I am more senior than what you are hoping to fund, I will let you know that until roughly 6 years ago, when my institution pursued business school accreditation through ACBSP, very little attention was paid to research and the majority of us were very busy with numerous administrative and service responsibilities in addition to our teaching, leaving little time for research. Even now with accreditation, it is challenging because, as a multi-campus institution, we all have many extra responsibilities not typically found at more traditional universities and certainly not at any of the top research universities. I've served twice as a department chair and for the past 4 years as MBA Director in addition to being a faculty, so my own personal research agenda has suffered. Furthermore, there is very limited financial support for research, so this research grant would make it possible to pursue this study. Thank you for your consideration.

Debbie Psihountas, Ph.D.

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EDUCATION

Ph.D. **University of Cincinnati (2000), Major Finance, Minor Real Estate**
Dissertation focus: "Does it pay to invest in family-friendly companies?"

M.B.A. **University of Cincinnati (1987), Concentration in Quantitative Analysis**

B.S. **Bowling Green State University (1983), International Business with honors**

EMPLOYMENT

Webster University, School of Business and Technology, 2001 – current

MBA Director July 2013 – current

Responsible for managing the largest academic program at Webster University (both in terms of student enrollments and number of locations offering the degree, which is over 100 locations worldwide and online).

American Council on Education Fellow 2012-2013
Ball State University, Muncie, IN

Nominated for and awarded prestigious ACE fellowship for academic year 2012-13, relocating to Indiana to work with the president (Jo Ann Gora) and provost (Terry King) of Ball State University.

Interim Chair, Business and Management Programs, Webster Europe

June - September, 2011

Interim department chair (2011) for Webster's Geneva campus, liaising with Webster's other European campuses. Responsible for leadership of business and management programs (undergraduate and graduate) in Geneva. Covered position until newly hired individual was available. Served on search committee to appoint the next chair (Zurich-based education professional,) and mentored the selected chair through his first few months in the position.

Chair, Department of Business June 2009-May 2011

Department chair (2009-2011), led 11 tenured or tenure-track faculty in finance, accounting, economics, statistics, quantitative methods, and strategy, in addition to hiring, training, and overseeing more than 200 adjunct and professional faculty. Managed 4 graduate and 4 undergraduate degree programs, including leading the introduction of the Master of Science in Forensic Accounting degree and leading the university's largest program, the Master of Business Administration.

Chair (Elected position), Webster University Salary and Fringe Benefit Committee 8/08-5/10 and 8/16-current

Responsible for leading negotiations for annual salary and fringe benefits with the senior vice president, CFO, and CHRO of Webster University.

Other Academic Employment:

Universidad Autonomas de Guadalajara: Guadalajara, Mexico
Visiting Professor January, 2008 – April, 2008

Xavier University, Cincinnati, OH, Department of Finance.

Visiting Assistant Professor of Finance August 2000 – August 2001
Adjunct Professor January – May, 2000

University of Dayton, Department of Decision Sciences, Taught graduate-level course: Survey in Statistics. Responsible for lesson development, weekly lectures, writing and scoring of examinations, and office hours.

University of Cincinnati Evening College, Taught undergraduate Business Finance. Responsible for lesson development, weekly lectures, writing and scoring of examinations, and office hours.

University of Cincinnati, College of Business Administration: *Department of Finance*; Taught 6 course sections; 9/86-6/87, and *Department of Quantitative Analysis and Management Information Systems*, Taught 6 course sections; 9/85-6/86.

University of Cincinnati, Raymond Walters College (administrative positions, 2001-2003):

Director July, 1992 - November, 1993
Assistant Director March, 1991 - July, 1992

- Managed a staff of 7 professionals, including classified and non-classified personnel
- Provided chargeable executive consultation, training development, and training delivery services to clients
- Added 30 client accounts in sixteen months as Director, including one contract exceeding $125,000, and several others in the $40,000 - $50,000 range (Profits increased 200%)
- Improved the billing and collections cycles by over 75%
- Responsible for sourcing new corporate clients, and for marketing customized training and consultation services to company executives
- Responsible for proposal development, contract negotiations, budget management, and billing
- As Assistant Director, increased organizational revenue by over 300% through the development and delivery of customized training programs for corporate clients - Personally produced revenue in excess of $75,000 in first 10 months through training
- Delivered more than 150 training programs and seminars to all levels of corporate clientele
- Responsible for sourcing, managing, and coordinating activities of all outside consultation and training providers

AWARDS

2009, Saint Louis Business Journal, “Most Inclusive Leader Award.”

2009-2010, Faculty Research Grant recipient (competitive award)

2008 Women of Achievement, Hellenic Spirit Foundation, University of Missouri at St. Louis.

Instructional Technology Grant Recipient (competitive award): Using Clickers in the
Classroom, 2009.

YMCA Women’s Leader of the Year Award, December 2006, St. Louis, Missouri.

Presidential Recognition Award, Webster University, May 2006.

Student Government Association, “Student Organization Advisor of the Year,” April 2006.

Title III Fellowship Award Recipient, 2004.

Commencement Speaker, Webster University Chicago Campus, May 2003.

BOARD MEMBERSHIP

Elected Member of National Board of Directors, Academy of Financial Services, 10/2004. Elected for Two-year term, 2004-06.

Assumption Greek Orthodox Church, Town & Country, MO. Elected parish official 2011- present.

SELECT RESEARCH

Academy of Business Research Proceedings, November 2014, San Antonio, Texas. "Flipped Classrooms and Finance – Is this a better way to learn?"

"Are University Students Aware of their Finances? A Cross-global comparison of PIIGS-based students and US-based students," Research proposal submitted for competitive research grant. Funded project. Funds received Summer 2014 and research to commence in 2014-15.

"Flipped Classrooms and Finance – Is this a better way to learn?" Working Paper, 2014.

Psihountas, Debbie (2013). Leadership Development 101: Mother and Daughter, *Women in Higher Education 22(11), 24-25*.

Psihountas, Debbie, Dippel, Richard, and Slusarz, George (2013). Federal Discrimination of Married Same-Sex Couples. *Journal of Accounting, Ethics, and Public Policy,* Volume 14 No. 2. http://ssrn.com/author=577204

Rodriguez, Arnoldo, Slusarz, George, Psihountas, Debbie (2011). International transfer pricing Issues. Faculty research grant awarded. Unpublished Working Paper.

Porras, D. and Psihountas, D. (2005). The Long-term Performance of Diverse Firms. *The International Journal of Diversity in Organisations, Communities, and Nations*.

Griswold, M., Porras, D., and Psihountas, D. (2004). Does Wall Street Reward Diversity? *Proceedings of the American Academy of Accounting and Finance, New Orleans, LA*.

Griswold, M., Porras, D., and Psihountas, D. (2003). Does Wall Street Pay For Diversity?
Proceedings of the Academy of Financial Services, Denver, CO.