GFLEC Insights Report

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Financial Capability Assessment for Church Pension Group Members

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In today's economy, individuals are required to make important and complex financial decisions, many of them carrying long-lasting consequences. Yet significant numbers of people lack the basic knowledge needed to handle this responsibility and execute informed choices, underscoring the crucial and urgent need for financial education. In this study, we evaluate the financial capability and knowledge of the members of the Church Pension Group (CPG). Further, we contrast their money-management behavior with that of a comparison group from the most recent National Financial Capability Study (NFCS). The main goal is to identify areas of strength and weakness among the members of the CPG. The results can be used to tailor personal finance education programs that match these consumers' financial needs and expectations. CPG members do relatively well in answering the Big Three questions that measure financial literacy. They also engage less in expensive short-term money management practices and do more retirement planning than the NFCS subgroup. Despite the clergy members' good performance against the comparison group, there is significant room for improvement. Tailored financial education can help prepare these people for the many financial decisions they face, which positively affects their financial security over the life cycle.

Introduction

People today live longer and wield more control over their finances. With the shift from defined benefit to defined contribution retirement plans, individuals are in charge of deciding not only how much to save but also how to invest their retirement wealth. However, this responsibility comes against a backdrop of low financial literacy. Many individuals do not grasp even the basic concepts related to financial decision-making, including compounded interest, inflation, and risk diversification. Surveys show that workers struggle with planning for retirement and many of them worry about running out of money in retirement. Moreover, many people carry debt close to and into retirement (Lusardi, Mitchell, Oggero 2017),[1] often paying high interest and fees on their loans.

Financial literacy matters. People with high levels of financial literacy are more likely to have precautionary savings, to plan for retirement, to invest in high-return assets, and to be savvy about taking on and managing debt—behaviors that positively impact financial security over the life cycle.

This report provides information on the financial capability of the members of the Church Pension Group (CPG), with financial capability measured by personal finance indicators such as financial fragility, retirement planning, debt management, and financial literacy. To get a better understanding of the data, we evaluate findings from the CPG against a comparable subsample of the 2015 and 2018 National Financial Capability Study (NFCS). The assessment helps to identify the strengths and weaknesses of CPG members' financial situations, knowledge, and behavior. This information, in turn, can be used to customize a personal finance program that optimizes impact and effectiveness for the Church Pension Group members.

The report is structured in the following way: Section A shows the demographic distribution of the CPG survey and that of the 2015 and 2018 NFCS. Knowing the characteristics of the respondents in the two samples helps us to interpret the results on financial literacy and capability. Section B discusses financial knowledge and education. Section C looks at household balance sheets (assets and liabilities), and Section D presents findings on indicators of money-management behavior, which are further organized into short- and long-term money management. Section E provides a more in-depth demographic analysis and sheds greater light on the most financially distressed subgroups among the clergy members. Further, Section F complements the descriptive analysis with the use of regressions and analyzes the factors contributing to perceived financial distress. We focus on the examination of the effects of financial literacy and on exposure to financial education, which can provide additional insights for the design and use of financial education programs.

[1] Lusardi, A., Mitchell, O. S., and Oggero, N., 2017. Debt and financial vulnerability on the verge of retirement (No. w23664). National Bureau of Economic Research, and forthcoming *American Economic Review* papers and proceedings.

(A) Demographics

The data was collected in November and December 2018 by the CPG, and the sample included 1,053 individuals. The survey comprised 38 questions around financial literacy, financial capability, and money-management behavior. The findings from the CPG sample were also compared against a subsample of the 2015 and 2018 National Financial Capability Study (NFCS). Supported by the FINRA Investor Education Foundation, the NFCS is a triennial, nationally representative survey first conducted in 2009 with the goal of assessing and establishing a baseline measure of financial capability among American adults. The NFCS has a large number of observations (27,564 American adults in 2015 and 27,091 American adults in 2018), allowing researchers to study population subgroups. We compare the CPG findings to the subsample of respondents in the NFCS who are at least 25 years old, hold bachelor or post graduate degrees, and work full-time or part-time for an employer.

Descriptive statistics about the CPG and NFCS samples are provided in Table 1. Around 59% of the CPG respondents are male, which is comparable to the NFCS subgroup of working respondents older than 25 with a higher education degree (58% in NFCS 2015 and 56% in NFCS 2018). Clergy members in our sample are, on average, older (55 years old) and more likely to have children and be married, as compared with the NFCS sample. The CPG sample also shows a more concentrated annual income distribution around $50,000 to $100,000.[2] About one in five CPG members live in a church-owned house.

Table 1: Demographic distribution of the CPG survey, the 2015 NFCS, and the 2018 NFCS

	CPG	NFCS 2015	NFCS 2018
Gender			
Female	0.4103	0.4238	0.4360
Male	0.5897	0.5762	0.5640
Children*			
Yes	0.7162	0.6482	0.6248
No	0.2733	0.3518	0.3752
Region*			
Midwest	0.1614	0.1900	0.1797
Northeast	0.2517	0.1989	0.2046
South	0.3970	0.3585	0.3608
West	0.1785	0.2527	0.2549
Marital Status*			
Divorced/Separated/Widowed	0.0712	0.0971	0.1015
Married	0.7797	0.6278	0.6122
Single	0.1462	0.2751	0.2863

[2] Income in the NFCS represents household annual income from all sources, such as wages, tips, investment income, public assistance, and retirement plans.

Age			
25-39	0.1254	0.4757	0.4373
40-49	0.1624	0.2245	0.2341
50-59	0.2802	0.1846	0.1913
60-69	0.3609	0.1008	0.1208
70-	0.0712	0.0145	0.0164
Income*			
<$25,000	0.0836	0.0438	0.0394
$25,000-$49,999	0.1083	0.1461	0.1505
$50,000-$74,999	0.2621	0.2224	0.1970
$75,000-$99,999	0.2735	0.2094	0.2029
$100,000-$149,999	0.1690	0.2403	0.2381
$150,000	0.0864	0.1380	0.1721
Living in Church-owned Housing			
No	0.8186	NA	NA
Yes	0.1814	NA	NA
Number of Paid Positions			
0	0.0171	0	0
1	0.8604	1	1
2	0.1111	0	0
3	0.0114	0	0
Observations	1,053	5,774	5,102

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: The NFCS sample is based on 1) age (25+ years), 2) educational attainment (bachelor or post-graduate degree), and 3) employment status (full-time or part-time working for an employer). Income in the NFCS represents household annual income from all sources, such as wages, tips, investment income, public assistance, and retirement plans. Percentages for the variables marked with an asterisk do not sum up to 1 because the percentages of “no response” or “prefer not to say” are not displayed.

The demographic distribution and comparison to the 2015 and 2018 NFCS subsamples should be kept in mind when analyzing and interpreting the findings in the next sections.

(B) Financial Knowledge and Education

Financial Knowledge

When asked to gauge their own financial knowledge, 68% of the CPG members assess their overall financial knowledge as high or very high, i.e., as a number between 5 and 7 on a scale from 1 (very low) to 7 (very high) (Figure A1 of the Appendix). This is in line with their actual financial knowledge (Table 2). Three out of four CPG members can correctly answer the Big Three financial literacy questions, which focus on the basic concepts of interest, inflation, and risk diversification. This is a significantly higher share than found in the NFCS sample, where on average only 50%, in 2015 and 2018, were able to correctly respond to the three financial literacy questions.

When we look at all six financial literacy questions asked in the surveys separately, we see a similar answer pattern among the three samples. (See Table 2. The exact wording of the financial literacy questions is shown in Appendix A.) In both surveys, the negative relationship between interest rates and bond prices stands out as the hardest concept to grasp. This is also the concept with the highest percentage of "do not know" answers. More than one in four respondents chooses the "do not know" answer in both surveys. Moreover, the bond pricing and mortgage questions are the ones for which clergy members do *not* do better than the 2018 NFCS comparison group. In contrast, the risk diversification and inflation questions reveal the largest difference in financial knowledge between the two surveys. Overall, CPG members have a significantly higher financial knowledge level than do the average respondents in the NFCS sample. This knowledge gap results from the CPG members' better understanding of inflation and risk diversification.

A relatively high percentage of clergy members answered each question correctly, yet only 26% were able to answer all six financial literacy questions correctly (Table 2). Even after we exclude the bond pricing question, which seems the hardest concept to understand, still fewer than 50% of the CPG members could correctly answer all five remaining questions. Clearly, there is room for improvement. The understanding of basic financial concepts is essential for sound financial decision-making and, ultimately, for financial well-being.

Table 2: Financial literacy questions answered correctly or responded to with "do not know"

	CPG	NFCS 2015	NFCS 2018
Interest rate question			
Correct	0.8699	0.8348	0.8207
Do not know	0.0294	0.0724	0.0892
Inflation question			
Correct	0.8490	0.6933	0.6880
Do not know	0.0513	0.1170	0.1333
Risk diversification question			
Correct	0.8205	0.6234	0.6253
Do not know	0.0912	0.2651	0.2878

Bond pricing question			
Correct	0.4017	0.3815	0.3476
Do not know	0.2678	0.2871	0.2977
Compound interest rate question			
Correct	0.5404	0.4512	0.4168
Do not know	0.1016	0.1604	0.1858
Mortgage question			
Correct	0.8500	0.8381	0.8272
Do not know	0.0408	0.0977	0.1031
Big Three financial literacy questions correct	0.7588	0.4987	0.4894
All six financial literacy questions correct	0.2564	0.1609	0.1395
Observations	1,053	5,774	5,102

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: The Big Three financial literacy measure gauges whether the respondent answered the interest, inflation, and risk diversification questions correctly. All differences between the CPG and the NFCS samples are statistically significant except for the bond pricing question (both correct and do not know) and the percentages correctly answering the mortgage question.

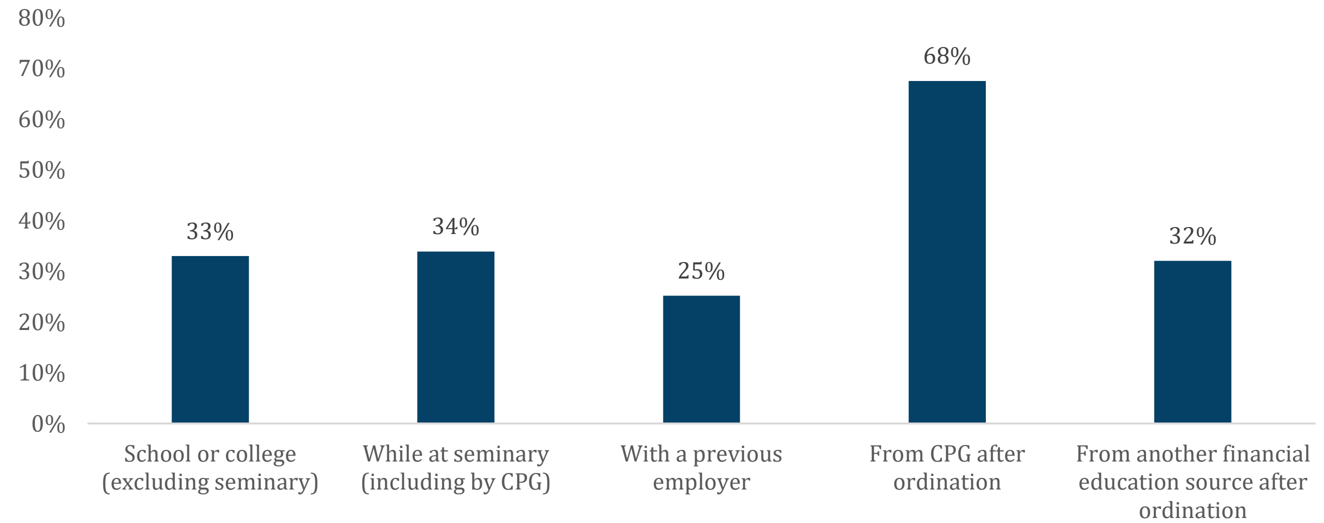
The higher average financial literacy levels among the CPG sample could be positively influenced by the larger share of older people in the sample, as we know that financial literacy increases with age. We provide more insights on the financial knowledge of younger and older clergy members in Section E. Moreover, around 70% of the CPG sample had another career prior to ordination; among those, 20% worked at financial institutions or in jobs linked to financial topics. Because of exposure to financial topics in the workplace, these individuals could have an advantage in answering the financial literacy questions. Further, more people in the CPG sample were offered financial education compared with the NFCS sample. This will be discussed in greater detail in the next subsection.

Financial Education

Among the CPG members, 85% reported being offered financial education through schools, previous employers, their seminaries, and the CPG itself. More than two out of three respondents said the financial education was offered by the CPG after their ordinations (Figure 1). The share of respondents who were offered financial education through other providers was around 30%. For the CPG survey, we do not explicitly know what share of the respondents participated in an offered financial education program. However, we know that 264 clergy members participated in CPG offered programs. Figure 2 shows the percentage of participants attending three different conference types and combinations of them. CREDO is a seven-day program focused on mental well-being for clergy members. Planning for Tomorrow (PFT) and Planning for Wellness (PFW) are workshop conferences to teach members financial planning and other life skills. Seminary visits are when the CPG would visit seminaries and provide workshops. Overall, the PFT and PFW conferences were the best attended in the five years prior to the survey (68%). CREDO was second, with 17% of the participating CPG members attending. Interestingly, 83% of participants in any CPG-offered financial education programs could correctly answer the Big

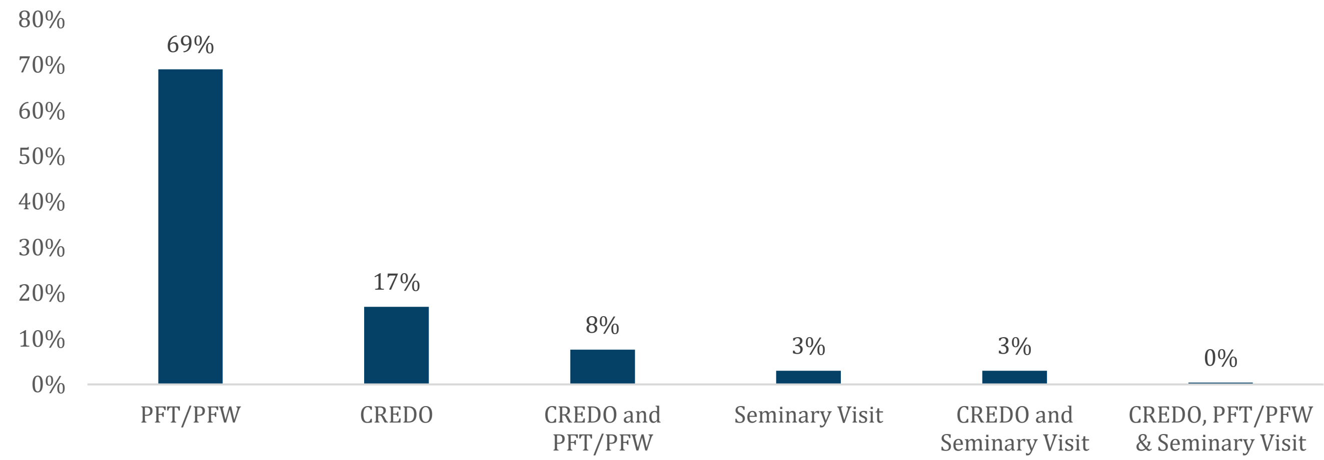
Three financial literacy questions, versus only 73% among those who were not offered any program by any provider. Even though we do not know the participation rate for the clergy members in all programs offered, we can derive from the NFCS (which includes a follow-up question on participation) that about two in three respondents took advantage of offered financial education, mainly in college (Figure 3).

Figure 1: Percentage of CPG members offered financial education by various providers



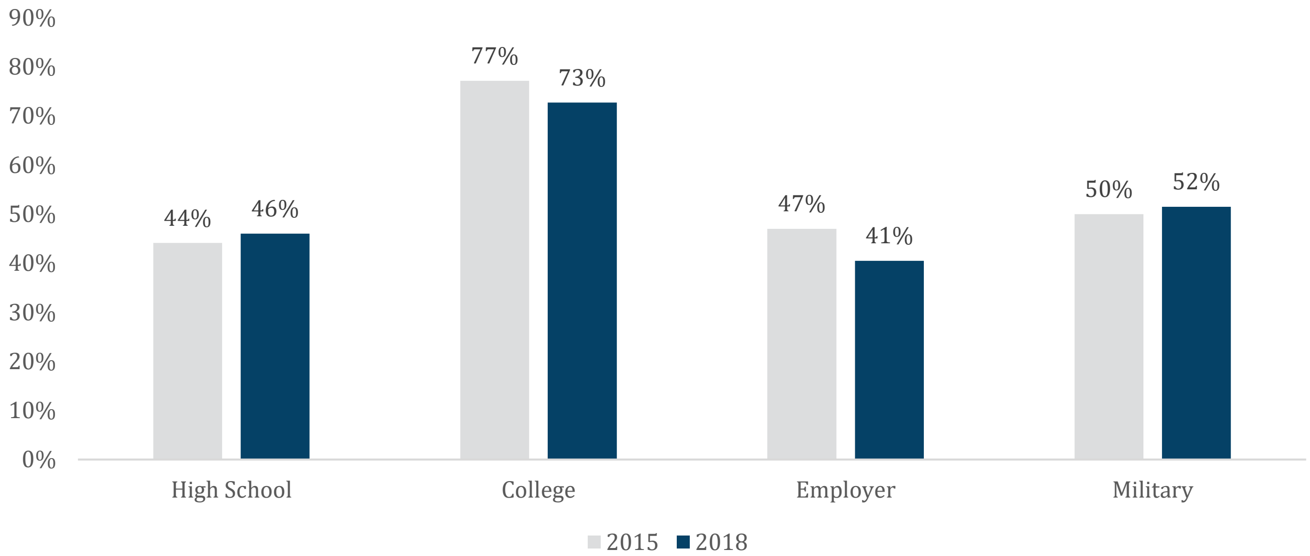
Source: 2018 CPG survey.
Note: The survey question asked “Was financial education offered by a school or college you attended, or a workplace where you were employed?” The five answers shown in the figure were each independent options. Respondents answered “yes,” “no,” “not applicable,” or “prefer not to say.” In the figure, we exclude the “not applicable” and “prefer not to say” answers.

Figure 2: Percentage of clergy members who received financial education from various programs offered by CPG



Source: 2018 CPG survey.
Note: CREDO is a seven-day program focused on mental well-being for clergy members. Planning for Tomorrow (PFT) and Planning for Wellness (PFW) are workshop conferences to teach members financial planning and other life skills. Seminary visits are when the CPG would visit seminaries and provide workshops. This table is based upon 264 CPG respondents who participated in a CPG-provided financial literacy course.

Figure 3: Percentage of 2015 and 2018 NFCS respondents who received financial education from various providers



Source: 2015 NFCS and 2018 NFCS.
Note: This question was only asked of respondents who did participate in financial education. The three answers shown in the figure were each independent options. Respondents answered "yes," "no," "do not know," or "prefer not to say." We exclude the "do not know" and "prefer not to say" answers.

When it comes to the question about who in their household is most knowledgeable about saving, investing, and debt, almost 60% of the clergy members assess themselves as most knowledgeable and about 26% responded that they and someone else in the household are equally knowledgeable. As seen in other research and in line with the NFCS subgroup, men show more confidence than women, making men more likely to answer that they are the most knowledgeable member of the household (Table A1 of the Appendix).

(C) Assets and Liabilities

When thinking about their assets, debts, and savings, 18% of the CPG members are not satisfied with their current personal financial condition, 44% are moderately satisfied, and 38% are highly satisfied (Table A2 of the Appendix). This is consistent with how respondents of the NFCS subsample assess their overall financial situation. Table 3 shows the assets and liabilities of the households in the CPG and the NFCS surveys in more detail.

CPG members tend to have a variety of assets. The vast majority of CPG respondents have checking and savings accounts while 60% own a home and more than 52% have financial investments, such as stocks, bonds, and mutual funds, aside from their retirement accounts. The percentage of CPG members investing in financial assets is significantly higher than in the NFCS sample (48% in 2015 and 47% in 2018). Aside from employer-sponsored retirement accounts, more than half also have a private retirement plan (i.e., IRA, Keogh, SEP) they set up themselves. This is also significantly higher than the NFCS sample. However, this finding, as well as the higher fraction of CPG members investing in financial assets, needs to be interpreted with caution. The result may be influenced by the older age of members of the CPG relative to the respondents in the NFCS sample, meaning the CPG members had more time to prepare for retirement and accumulate savings to invest in financial assets. Greater detail on household balance sheets across different age groups is provided in Section E. Moreover, around 53% of the CPG members have retirement plans through previous employers, which is unsurprising given that 70% of the clergy members in our sample had previous careers with a median tenure of 11 to 15 years.

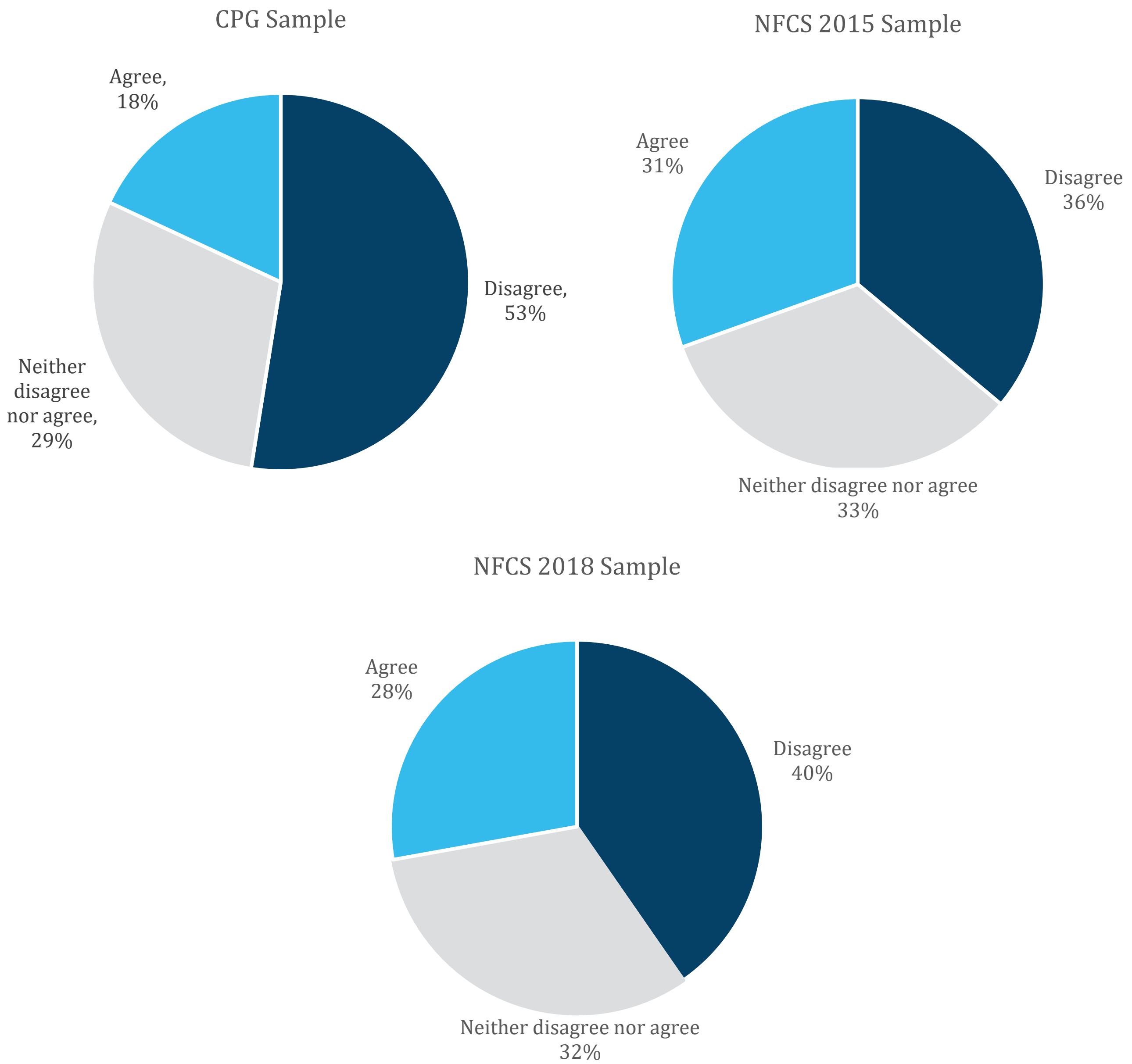
Table 3: Household balance sheet of the CPG and the NFCS samples

	CPG	NFCS 2015	NFCS 2018
Assets			
Has a checking account	0.9079	0.9658	0.9655
Has a savings account, money market account, or CDs	0.8500	0.8945	0.8615
Has a retirement plan through previous employer	0.5337	0.8083^{T}	0.8114^{T}
Has a private retirement plan they set up themselves (i.e., IRA, Keogh, SEP)	0.5613	0.4990	0.4934
Spouse has a retirement plan$^{¥}$	0.7360	NA	NA
Owns a home	0.6021	0.7200	0.7067
Has financial investments aside from retirement accounts (i.e., stocks, bonds, mutual funds, or other securities)	0.5280	0.4818	0.4687
Liabilities			
Has credit card debt*	0.3822	0.4352	0.4309
Has a home mortgage*	0.8533	0.7086	0.7240
Has a home equity loan*	0.1469	0.1911	0.1716
Has an auto loan	0.4226	0.4002	0.4195
Has a student loan (taken out for)	0.2146	0.3897	0.3791
Respondent*§	0.7168	0.7664	0.7464
Spouse*§	0.2920	0.3215	0.2841
Children*§	0.2434	0.1495	0.1455
Grandchildren*§	0.0000	0.0043	0.0031
Someone else*§	0.0177	0.0029	0.0086
Observations	1,053	5,774	5,102

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note:
^{T}This number represents the share of respondents who have any retirement plan through a current or previous employer, either owned by the respondent or his/her spouse.
$^{¥}$ Statistic only includes respondents with a spouse or partner.
*Indicates that statistics are conditional on having the related asset or debt.
§ For the question "for whose education was the student loan taken out," respondents were allowed to select all that apply.

While clergy members have a lot of assets, these assets are leveraged. Among homeowners, 85% carry a mortgage (Table 3). Even though the fraction of CPG members owning a home is smaller than that of respondents in the NFCS sample, significantly more clergy members with a house have mortgages. However, relative to the NFCS sample, fewer clergy members carry high-interest debt, such as credit card debt. As an additional indication backing this initial observation, a significantly smaller percentage of clergy members (18%) feel that they have too much debt right now. For the NFCS sample, it is 31% in 2015 and 28% in 2018 (Figure 4). The subsections that follow shed more light on households' money-management and, especially, debt-management behaviors. In Section F we also use regression analysis to investigate the demographic characteristics of people with high perceived indebtedness.

Figure 4: Percentage of CPG and NFCS respondents answering to "I have too much debt right now"



Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: On a scale from 1 (strongly disagree) to 7 (strongly agree), "Disagree" indicates those who answered 1-2, "Neither disagree nor agree" indicates those who answered 3-5, and "Agree" indicates those who answered 6-7. We exclude the "don't know" and "prefer not to say" answers. All differences between the CPG and the NFCS samples are statistically significant.

(D) Management of Personal Finances

Short-term Money Management

Table 4 reports three indicators for short-term money management and precautionary savings behavior. Overall when compared with the NFCS sample, we see that clergy members are more prepared for emergencies and display better savings practices. In particular, they are significantly more likely to have spent less than their income over the past year (61% CPG vs. 50% NFCS in 2015 and 52% NFCS in 2018), to have no difficulties covering their expenses in a typical month (75% CPG vs. 60% NFCS in 2015 and 64% NFCS in 2018), and to certainly or probably be able to come up with $2,000 within 30 days to handle an emergency (93% CPG vs. 83% NFCS in 2015 and 84% NFCS in 2018). Despite these positive findings for clergy members when viewed against their NFCS comparison group, there is still much room for improvement in terms of savings and preparation for financial emergencies. More than one in three people in the CPG sample did not save money over the past year, and 12% accumulated debt (i.e., spent more than their income). Moreover, only 62% said they have set aside emergency or rainy-day funds. This percentage is the same as that of the NFCS comparison group. Interestingly, we see a notable difference in the percentage of those who set aside emergency funds and the percentage of clergy members who are certain they could come up with $2,000 within 30 days. For the NFCS subsample, there is almost no difference between these two questions.

Table 4: Indicators for precautionary savings behavior in the CPG and NFCS sample

	CPG	NFCS 2015	NFCS 2018
Over the past year, how much was your spending compared to your income?			
Spending was less than income	0.6118	0.4976	0.5195
Spending was more than income	0.1224	0.1788	0.1679
Spending was about equal to income	0.2658	0.3236	0.3127
In a typical month, how difficult is it for you to cover your expenses and pay all your bills?			
Very difficult	0.0264	0.0668	0.0568
Somewhat difficult	0.2205	0.3371	0.3078
Not at all difficult	0.7532	0.5960	0.6355
How confident are you that you could come up with $2,000 if an unexpected need arose within the next month?			
I am certain I could come up	0.8168	0.5771	0.5920
I could probably come up	0.1131	0.2503	0.2461
I could probably not come up	0.0325	0.0879	0.0841
I am certain I could not come up	0.0377	0.0847	0.0778

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: With these questions, we exclude the “don’t know” and “prefer not to say” answers. All differences between the CPG and the NFCS samples are statistically significant.

When we look at expensive short-term money management—behavior that, in most cases, accrues high fees—we see, on average, that fewer CPG members engage in these types of behaviors than NFCS respondents (Table 5). Money-management behavior related to credit card use that can trigger high fees includes paying the minimum amount only, late payment of an outstanding credit card balance, exceeding the card limit, or using the card for cash advances. The percentage of clergy members with these behaviors was lower than that of the NFCS comparison group but still sizeable: 22% of clergy members demonstrated at least one expensive credit card behavior. This is especially notable given that this is a group of people earning above median income and with relatively high financial knowledge. Still, only about one in two clergy members collected comparison information about different credit cards from more than one company before applying for their most recent credit card. Furthermore, around 6% of clergy members used at least one type of alternative financial service, such as payday loans, pawnshops, and auto title loans.

Table 5: Expensive short-term money management behavior in the CPG and NFCS samples

	CPG	NFCS 2015	NFCS 2018
Checking account management (in the past year)			
Occasionally overdraws account*	0.1077	0.2011	0.1891
Credit card management (in the past year)			
Has made only the minimum payment*	0.1571	0.2763	0.3059
Charged a fee for late payment*	0.0985	0.1338	0.1429
Charged an over-the-limit fee*	0.0112	0.0756	0.0784
Charged a fee for a cash advance*	0.0269	0.1049	0.0990
Demonstrated at least one expensive behavior*	0.2194	0.3514	0.3651
Use of alternative financial services (in the past 5 years)			
Took out an auto title loan	0.0452	0.1176	0.1016
Took out a payday loan	0.0105	0.1234	0.1093
Used a pawn shop	0.0116	0.1293	0.1186
Used a rent-to-own store	0.0084	0.1013	0.0908
Used at least one of these four forms	0.0639	0.2031	0.1981

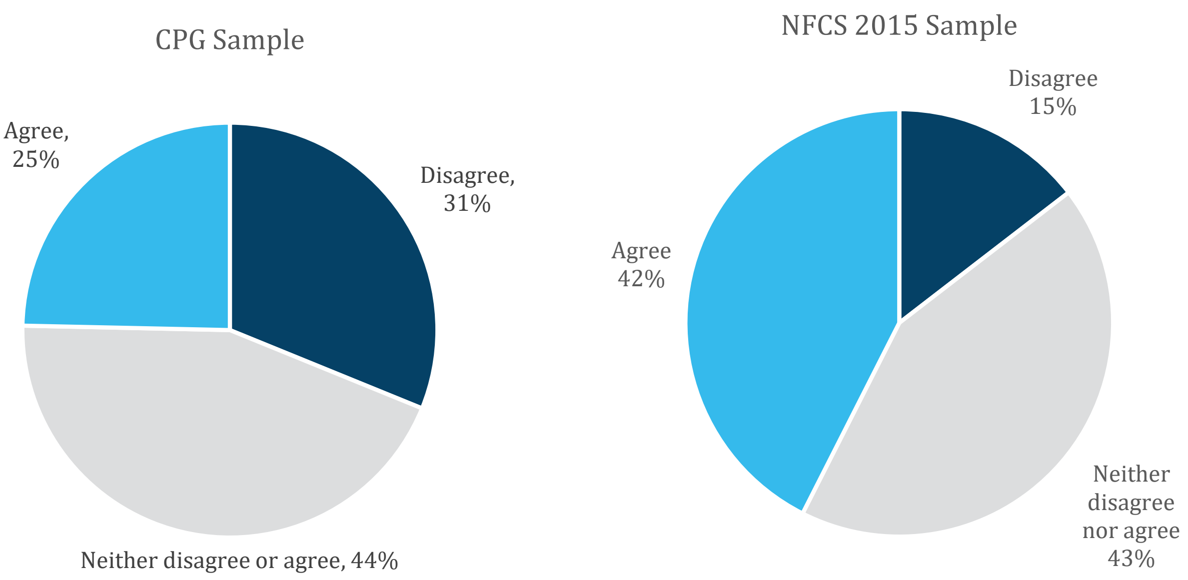
Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: All differences between the CPG and the NFCS samples are statistically significant.
*Indicates statistics are conditional upon having the related asset.

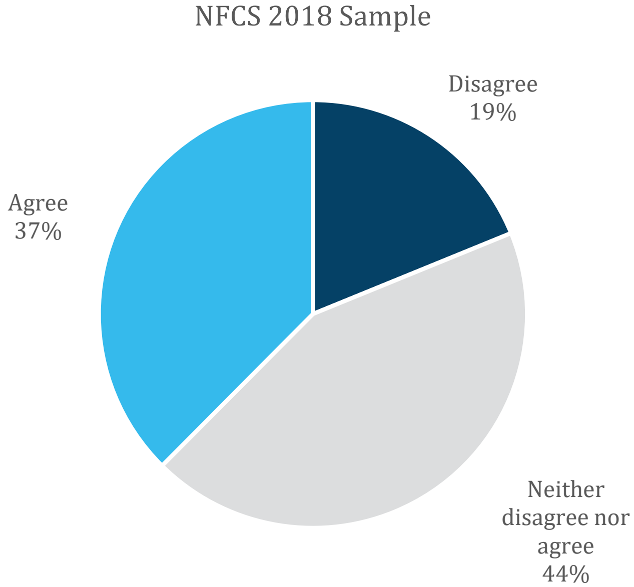
A household's ability to save and plan for both the short- and long-term is also influenced by its income volatility. Within the CPG sample, 11% of the respondents said their income occasionally varied over the past five years, or varied quite a lot from year to year. For 22%, their income stayed roughly the same while 59% saw their income gradually increase. Looking toward the next five years, 5% anticipate their income will vary quite a lot from year to year, and 11% expect it to gradually decrease (Table A3 of the Appendix). With these findings in mind, we now turn to long-term savings behavior and money management.

Long-term Money Management

Almost three in four members of the CPG have tried to figure out how much they need to save for their post-employment years. This response is significantly higher than among NFCS respondents (60% in NFCS 2015 and NFCS 2018), as shown in Table 6. This disparity might be due to differences in the age distribution between these two samples. Members of the CPG sample are older, putting them closer to retirement. When it comes to feeling financially prepared for their retirement, about one in three clergy members are not worried about running out of money while about 25% are. Another 44% do not take a clear position, which could indicate that they do not know how much savings they will have accumulated by the time they retire and/or will need during retirement (Figure 5). Respondents in the two samples answered this question differently, as can be seen in Figure 5. The differences are large but, again, should be interpreted with caution given the differences in the age distribution. Section F will provide a more in-depth analysis of the characteristics of the people who are concerned about their retirement security.

Figure 5: Percentage of the CPG and NFCS respondents answering to “I worry about running out of money in retirement”





Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: From a scale from 1 (strongly disagree) to 7 (strongly agree), “Disagree” indicates those who answered 1-2, “Neither disagree nor agree” indicates those who answered 3-5, and “Agree” indicates those who answered 6-7. We exclude the “don’t know” and “prefer not to say” answers. The differences between the CPG and the NFCS samples for the categories “agree” and “disagree” are statistically significant.

Table 6 shows the percentage of people who took out loans or made hardship withdrawals from their self-directed retirement accounts in the past 12 months. Since the clergy members have access to a defined benefit plan, the CPG percentages of loans and withdrawals are, as expected, significantly lower than those of the NFCS. The loans and withdrawals shown in the table might have been taken from self-directed retirement accounts sponsored by previous employers, private retirement plans they have set up themselves, and/or retirement plans of the spouses. Among clergy members in a relationship, 74% have a spouse with a retirement plan.

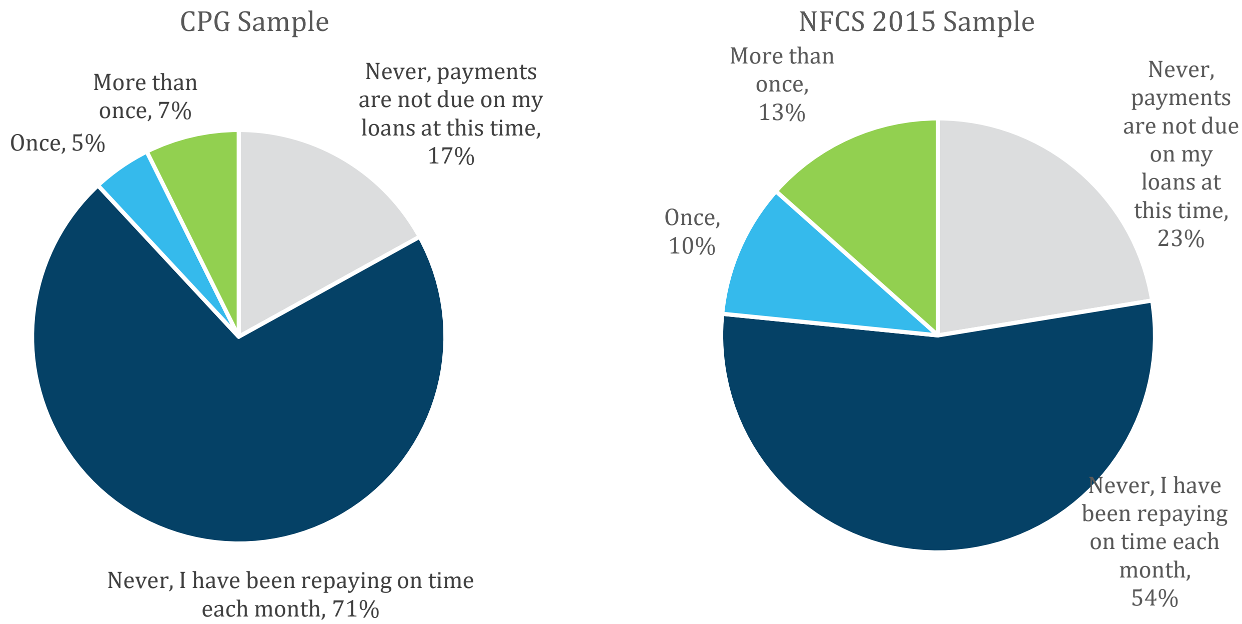
Table 6: Retirement planning and self-directed account management in the CPG and NFCS samples

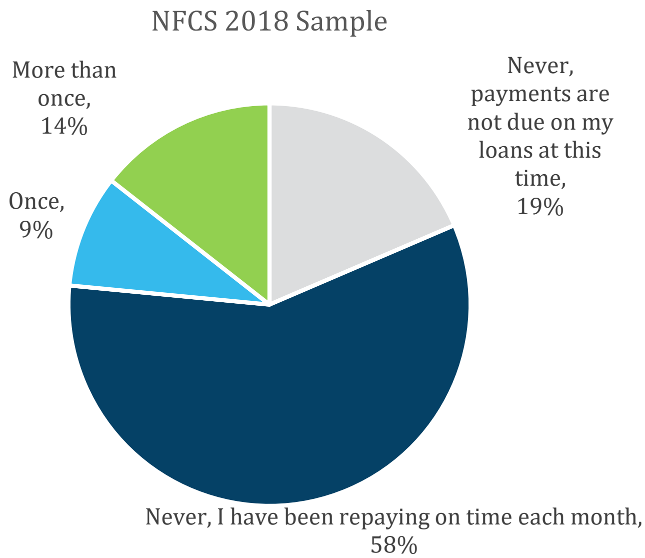
	CPG	NFCS 2015	NFCS 2018
Figuring out how much one needs to save for retirement	0.6988	0.5954	0.6031
Took a loan from account in past year*	0.0431	0.1240	0.1136
Made a hardship withdrawal in past year*	0.0231	0.1006	0.0857

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: All differences between the CPG and the NFCS samples are statistically significant.
*Indicates statistics are conditional on having a self-directed retirement account.

We also analyze how respondents handle their student loans given that these loans often dominate the financial obligations of a household for a long time. Figure 6 shows that only a few clergy members were late on student loan payments in the past year. A look at mortgage payments reveals a similar picture. The vast majority of the respondents holding a mortgage in both samples were never late on their mortgage payments in the past 12 months (98% CPG vs. 85% in NFCS 2015 and 86% in NFCS 2018). As other research found, these loans seem to claim priority among financial obligations. That said, 34% of clergy members with student loans are concerned they might not be able to pay off the loans. Since clergy members in our sample are older, this suggests that they might carry their student loans into retirement. This finding might also be influenced by the fact that some clergy members go to divinity school when older and, thus, carry student loan until late in life. Section E looks at student debt across two age groups (those age 25-50 vs. age 50+) and reports that among the older clergy members still 16% have a student loan. Only 41% of CPG members calculated the monthly payments before getting student loans, a finding that matches that of respondents from the NFCS sample (42% in NFCS 2015 and 44% in NFCS 2018). When asked if they would make changes should they go through the process of taking out loans to pay for their education all over again, 58% of the CPG members with a student loan replied in the affirmative. This is in line with the NFCS comparison group (62% in NFCS 2015). Lastly, around two in three respondents with children currently set aside money for their offspring's college education.

Figure 6: Percentage of the CPG and NFCS respondents answering the question "How many times have you been late with your student loan payments in the past 12 months?"





Source: 2018 CPG survey and 2015 NFCS.
Note: We exclude the "don't know" and "prefer not to say" answers. Responses are conditional on having a student loan. All differences between the CPG and the NFCS samples are statistically significant.

The findings so far show that clergy members are doing relatively well when compared to a similar group in the National Financial Capability Study (NFCS): They correctly answer a higher number of financial literacy questions, are less likely to engage in expensive short-term money management practices, and are more likely to plan for retirement. However, even among the clergy member sample, there is significant room for improvement, especially for the subgroups that show signs of financial distress. To tailor financial education initiatives to these subgroups, additional analyses could offer useful insights. In the following two sections we are, first, providing demographic insights by analyzing the financial knowledge, situations, and retirement planning behaviors of different subgroups of the CPG members and, second, analyzing the factors contributing to perceived financial distress via regression analysis.

(E) Demographic Insights

The analysis in this section expands on previous findings by more closely examining the differences between men and women and by looking at differences between younger clergy members (25-50 years old) and those who are over 50. In the area of gender, mounting evidence demonstrates a consistent and significant financial knowledge gender gap around the globe.[3] Women may be major contributors to families' well-being and to household economies, but they face unique challenges in building their own financial security. In order to tailor financial education programs to the needs of this study's participants, we investigated whether a gender gap in financial literacy and capability exists among clergy members. In looking at age, we split the sample at age 50, taking into consideration that the CPG members are disproportionately skewed toward the ranks of Baby Boomers, as seen in Table 1. We separately analyzed the knowledge levels and financial situations of these two subgroups. As before, we compared the CPG findings with a nationally representative sample of 25 year olds with bachelor

[3] Bucher-Koenen, T., Lusardi, A., Alessie, R., and Van Rooij, M., 2016. "How financially literate are women? An overview and new insights," *Journal of Consumer Affairs,* 51 (2), 255-238. Or Klapper L., Lusardi A. and van Oudheusden P., 2015. "Financial Literacy Around the World: Insights from the S&P Global Financial Literacy Survey." Working paper, November 2015.

degrees or post-graduate degree and who work full-time or part-time for an employer. The comparison group is taken from the 2018 NFCS.

Financial Knowledge

Table 7 shows the financial knowledge among men and women for both the CPG sample and the most recent NFCS comparison group. Consistent with previous research, a large gender gap exists in the NFCS subsample, where only 37% of women can correctly answer the Big Three financial literacy questions compared to 58% of men. Among clergy members, however, there is no significant difference in basic financial knowledge between men and women. Almost three out of every four women in the CPG sample (74%) correctly answered the Big Three questions. Among men in the CPG sample, this percentage is slightly higher at 77%, but the difference is not statistically significant. The same holds true for the individual financial literacy questions. Only the difference in the percentage of men vs. women who correctly answered all six financial literacy questions is statistically significant. Also in line with existing research, women seem to have less confidence in their knowledge than do their male counterparts.[4] The percentage of "do not know" answers is much larger among women compared to men, for both the CPG and the NFCS sample. This lack of confidence is also reflected in respondents' self-assessed financial knowledge rating. Only 61% of women in the CPG sample rate their overall financial knowledge as high or very high (i.e., as a number between 5 and 7 on a scale from 1 [very low] to 7 [very high]), compared to 73% of men. These numbers in the 2018 NFCS comparison group are 74% for women and 86% for men. The differences in perceived financial knowledge between men and women are statistically significant for both samples and, thus, confirm the influence of confidence.

Table 7: Financial literacy questions answered correctly or responded to with "do not know," split by gender

	CPG Male	CPG Female	NFCS 2018 Male	NFCS 2018 Female
Interest rate question				
Correct	0.8631	0.8796	0.8487	0.7845
Do not know	0.0290	0.0301	0.0696	0.1145
Inflation question				
Correct	0.8502	0.8472	0.7389	0.6223
Do not know	0.0451	0.0602	0.0848	0.1961
Risk diversification question				
Correct	0.8196	0.8218	0.7043	0.5231
Do not know	0.0789	0.1088	0.1938	0.4094
Bond pricing question				
Correct	0.4219	0.3727	0.4164	0.2586
Do not know	0.2093	0.3519	0.2179	0.4010

[4] Bucher-Koenen, T., Lusardi, A., Alessie, R., and Van Rooij, M., 2018. "Fearless girl – Women, confidence, and financial literacy," GFLEC Working Paper Series.

Compound interest rate question				
Correct	0.5475	0.5301	0.4825	0.3317
Do not know	0.0902	0.1181	0.1350	0.2515
Mortgage question				
Correct	0.8357	0.8704	0.8350	0.8170
Do not know	0.0419	0.0394	0.0915	0.1182
Big Three financial literacy questions correct	0.7713	0.7407	0.5801	0.3720
All six financial literacy questions correct	0.2834	0.2176	0.1929	0.0706
Observations	621	432	2,626	2,476

Source: 2018 CPG survey and 2018 NFCS.
Note: The Big Three financial literacy measure gauges whether the respondent answered the interest, inflation, and risk diversification questions correctly.

Table 8 shows the financial knowledge split by age. As expected, financial literacy increases with age. Among the CPG members, 77% of the older subsample were able to correctly answer the Big Three financial literacy questions compared to 73% of the clergy members age 25-50. However, this difference between the two age groups is not statistically significant.[5] Interestingly, the differences in the percentages of people from the two age groups answering the single questions correctly are only significant for the more complicated questions, those focused on bond pricing and compound interest rates. In contrast, in the most recent NFCS subsample we find a larger and significant increase in financial literacy between the younger and older age group. Further, comparing the younger cohort of the CPG sample with the younger cohort of the NFCS sample reveals a large and significant gap. The younger clergy members know substantially more than their peers in the nationally representative subsample. This might be positively influenced by the financial education the CPG offers its members (see Section B).

Table 8: Financial literacy questions answered correctly or responded to with "do not know," split by age

	CPG Age 25 - 50	CPG Age 50+	NFCS 2018 Age 25 - 50	NFCS 2018 Age 50+
Interest rate question				
Correct	0.8836	0.8639	0.7999	0.8667
Do not know	0.0283	0.0299	0.0978	0.0702
Inflation question				
Correct	0.8145	0.8639	0.6270	0.8231
Do not know	0.0755	0.0408	0.1524	0.0911

[5] The same holds true for the perceived financial knowledge. Around 67% of the younger clergy members assess their own financial knowledge as high or very high, which is not significantly different from the percentage of older clergy members (69%).

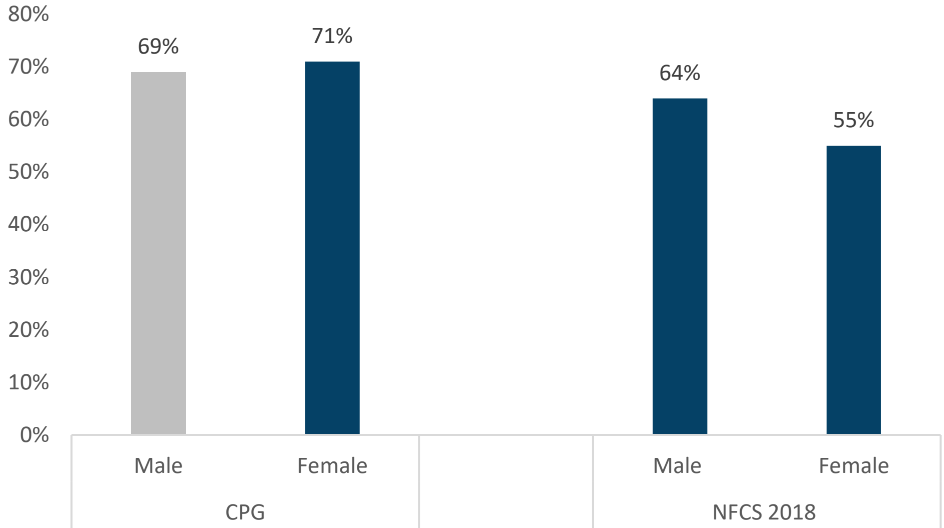
Risk diversification question				
Correct	0.7925	0.8327	0.5737	0.7395
Do not know	0.1321	0.0735	0.3158	0.2257
Bond pricing question				
Correct	0.3333	0.4313	0.3116	0.4271
Do not know	0.3428	0.2354	0.3201	0.2481
Compound interest rate question				
Correct	0.5975	0.5156	0.4198	0.4100
Do not know	0.1101	0.0980	0.1983	0.1582
Mortgage question				
Correct	0.8396	0.8544	0.8051	0.8760
Do not know	0.0660	0.0299	0.1152	0.0764
Big Three financial literacy questions correct	0.7264	0.7728	0.4266	0.6284
All six financial literacy questions correct	0.2453	0.2612	0.1174	0.1886
Observations	318	735	3,445	1,657

Source: 2018 CPG survey and 2018 NFCS.
Note: The Big Three financial literacy measure gauges whether the respondent answered the interest, inflation, and risk diversification questions correctly.

Financial Situation and Retirement Planning

Women face different financial needs than men. Women have higher life expectancies, lower average wages, and a greater likelihood of career interruption, including maternity leave and family caregiving. Because of this, women face different savings needs and longer time horizons vis-a-vis retirement. This is compounded by fewer opportunities than men to accumulate wealth. Among clergy women, 71% have figured out how much they need to save for retirement. This number for men is slightly lower in the CPG sample (69%). However, clergy women are much more likely to worry about running out of money in retirement than are their male counterparts. This result is discussed in more detail in Section F of this report. When comparing the CPG findings with the NFCS subsample, we also find that clergy women are much more likely to plan for retirement. Only about 55% of the women in the representative NFCS sample have ever figured out how much they need to save for when they leave the workforce (Figure 7). This reaffirms that clergy members are relatively better prepared when compared to a similar group in the NFCS.

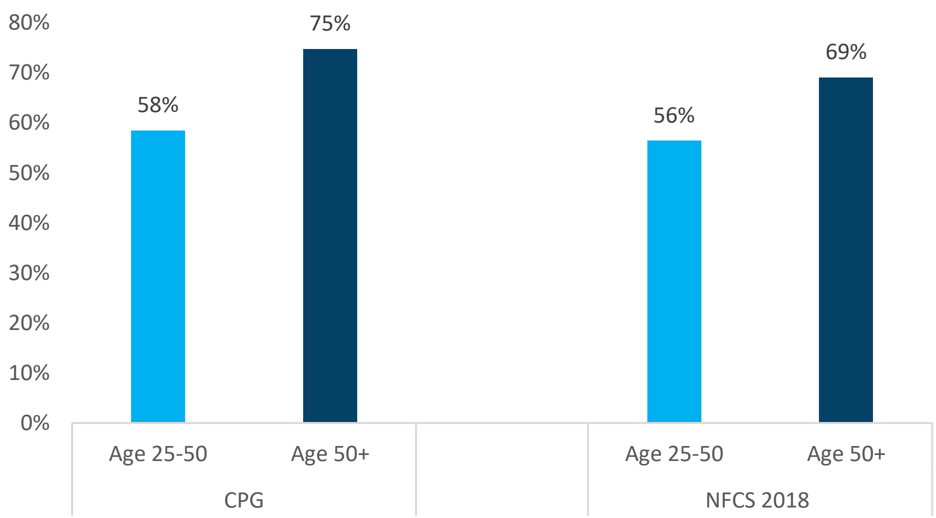
Figure 7: Retirement planning in the CPG and NFCS sample, split by gender



Source: 2018 CPG survey and 2018 NFCS.
Note: The exact wording of the question is "Have you ever figured out how much you need to save for retirement?"

As expected, the percentage of respondents who are planning for retirement diverges significantly across age groups (Figure 8). Among CPG members, 75% of the older clergy members (age 50+) have figured out how much they need to save for retirement. For younger clergy members, the figure is much lower (58%). These outcomes are comparable to those in the 2018 NFCS, where 69% of the older cohort and 56% of the younger cohort tried to plan for retirement. This suggests that people start planning for retirement around age 50, which might be far too late in the life cycle, especially given the missed advantages of compound interest.

Figure 8: Retirement planning in the CPG and NFCS sample, split by age



Source: 2018 CPG survey and 2018 NFCS.
Note: The exact wording of the question is "Have you ever figured out how much you need to save for retirement?"

As mentioned in Section C, the wide differences between the household balance sheets of clergy members and those of the representative sample might be influenced by the older age of the clergy members. To address this, we analyze in Table 9 the assets and liabilities of younger and older cohorts separately. Overall, a higher percentage of older clergy members hold assets, such as retirement plans, real estate, or financial investment, as compared to the younger clergy member cohort. The same is found in the NFCS comparison group. On the debt side of the balance sheet, meanwhile, we find respondents older than 50 are less likely to carry credit card debt, a home mortgage, or an auto loan. There is also a substantial difference in the percentage of people with student debt across age groups. Among the younger clergy members, 34% have student debt. That compares to 16% of clergy members age 50 and older, which is still relatively high and might result in them carrying student debt into retirement. In other words, student debt is expected to have a stronger influence on younger people's financial decision-making and perceived financial well-being.

Table 9: Household balance sheet of the CPG and the NFCS, split by age

	CPG Age 25 - 50	CPG Age 50+	NFCS 2018 Age 25 - 50	NFCS 2018 Age 50+
Assets				
Has a checking account	0.8994	0.9116	0.9567	0.9850
Has a savings account, money market account, or CDs	0.8491	0.8503	0.8472	0.8932
Has a retirement plan through previous employer	0.4371	0.5755	0.7942	0.8494
Has a private retirement plan they set up themselves (i.e., IRA, Keogh, SEP)	0.5189	0.5796	0.4371	0.6180
Spouse has a retirement plan[¥]	0.7617	0.7238	NA	NA
Owns a home	0.4748	0.6571	0.6509	0.8301
Has financial investments aside from retirement accounts (i.e., stocks, bonds, mutual funds, or other securities)	0.4465	0.5633	0.4355	0.5422
Liabilities				
Has credit card debt*	0.3889	0.3793	0.4516	0.3855
Has a home mortgage*	0.9669	0.8178	0.7954	0.6000
Has a home equity loan*	0.1060	0.1598	0.1700	0.1744
Has an auto loan	0.4622	0.4054	0.4371	0.3804
Has a student loan	0.3365	0.1619	0.4639	0.1912
Observations	318	735	3,445	1,657

Source: 2018 CPG survey and 2018 NFCS.

Note:

[ᵀ]This number represents the share of respondents who have any retirement plan through a current or previous employer, either owned by the respondent or his/her spouse.

[¥] Statistic only includes respondents with a spouse or partner.

*Indicates that statistics are conditional on having the related asset or debt.

[§] For the question "for whose education was the student loan taken out," respondents were allowed to select all that apply.

As discussed previously, although debt levels decrease with age they still remain high. That makes them likely to impact an individual's financial well-being and decision-making. The next section of this report looks more closely at the contributing factors of perceived financial distress.

(F) Characteristics Contributing to Perceived Financial Distress

Perceived financial distress can emerge from several areas of personal finance. It can be influenced by debt burden, since debt and debt payments may heavily constrain financial decision-making and prevent a person from adequately addressing other financial priorities. Perceived financial distress can also be heightened by an individual's inability to cope with emergency expenses or make ends meet in the short-term. It can also be linked to concern about running out of money in the long term during retirement. In this section, we provide more in-depth findings on the characteristics of the people experiencing these various proxies for financial distress and the link to financial literacy.

Too Much Debt

As discussed in Section C, some 18% of CPG members feel they have too much debt right now. In this section, we are interested in the demographic characteristics that lead to perceived financial indebtedness. Table 10 reports the regression results for four models, which include a different set of independent variables. The dependent variable is a dummy variable that takes the value 1 if the respondent agreed to the statement "I have too much debt right now" and 0 in case he/she disagreed or neither disagreed nor agreed. Among the explanatory variables, we include a list of demographic characteristics, such as gender, age, income, children, and marital status (Model 1). We also take into account whether clergy members are living in church-owned housing and the number of years they have been working in the church (Model 2). Additionally, we investigate the effects of both financial literacy levels (Model 3) and exposure to financial education (Model 4).

For perceived indebtedness, age plays a crucial role. CPG members older than 50 years are significantly less likely to feel they have too much debt right now compared to their younger peers. Interestingly, gender, income, household circumstances (children and marital status), as well as whether housing is church provided and years working in the church show no significant link to perceived indebtedness. However, financial literacy is negatively related to having too much debt. Respondents able to correctly answer the Big Three questions are much less likely to feel they have too much debt right now (Model 3). In the context of regression analysis, it can be argued that the estimated coefficient for financial literacy is biased because financial literacy is an endogenous variable, hence, the result of choice. As a robustness check, we use as proxy for financial literacy a variable that measures exposure to financial education. Similar to the financial literacy results of Model 3, we find in Model 4 that respondents who were offered financial education by a school or college or by a workplace (including CPG-offered financial education programs) are significantly less likely to agree with the statement that they have too much debt right now. Thus, financial literacy plays an important role in perceived financial indebtedness among clergy members. (It is important to note that these regressions show correlations and do not purport to address causation.)

Table 10: Regression results for the "having too much debt" variable

	(1) Too much debt	(2) Too much debt	(3) Too much debt	(4) Too much debt
Gender (BL: Male)				
Female	-0.002	-0.007	-0.010	-0.005
	(0.026)	(0.027)	(0.026)	(0.027)
Age (BL: 25 – 50 years)				
50+ years	-0.118***	-0.100***	-0.094***	-0.101***
	(0.028)	(0.031)	(0.030)	(0.031)
Income (BL: less than $25,000)				
$25,000 – $49,999	0.028	0.027	0.033	0.034
	(0.057)	(0.057)	(0.056)	(0.057)
$50,000 – $74,999	0.014	0.015	0.008	0.024
	(0.050)	(0.050)	(0.049)	(0.050)
$75,000 – $99,999	-0.005	-0.001	-0.007	0.012
	(0.049)	(0.050)	(0.049)	(0.050)
Over $100,000	-0.000	0.006	0.018	0.019
	(0.050)	(0.052)	(0.051)	(0.052)
Children				
Yes	-0.020	-0.019	-0.013	-0.022
	(0.031)	(0.031)	(0.031)	(0.031)
Marital Status (BL: single/divorced/widowed)				
Married	-0.015	-0.012	0.008	-0.009
	(0.034)	(0.034)	(0.034)	(0.034)
Housing				
Church-owned Housing		0.025	0.007	0.025
		(0.034)	(0.034)	(0.034)
Job Tenure				
Years in Service		-0.002	-0.001	-0.002
		(0.001)	(0.001)	(0.001)
Financial Literacy				
Big Three Correct			-0.183***	
			(0.034)	
Financial Education				-0.087**
Offered				(0.036)
Constant	0.287***	0.293***	0.418***	0.356***
	(0.058)	(0.059)	(0.062)	(0.064)
Observations	925	925	925	925
R-squared	0.022	0.024	0.055	0.030

Source: 2018 CPG survey.

Note: The "Having too much debt right now" variable is a dummy variable set to 1 if the respondent answered the statement "I have too much debt right now" as 6-7 on a scale from 1 (strongly disagree) to 7 (strongly agree) and 0 otherwise. We exclude the "don't know" and "prefer not to say" answers. The Big Three financial literacy measure is a dummy variable with value 1 if the respondent answered the interest, inflation, and risk diversification questions correctly. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Lack of Precautionary Savings and Making Ends Meet

To study the financial distress that can be caused by the inability to cope with emergency expenses and make ends meet, we look at three proxy variables. The first measures the ability to cover an unexpected financial shock. If the respondent could certainly or probably not come up with $2,000 within 30 days should an unexpected need arise, we classify this person as being financially fragile. The second variable looks at respondents who have not set aside emergency or rainy-day funds to cover their expenses for three months in case of sickness, job loss, economic downturn, or other emergencies. With the third proxy, we analyze people who find it very difficult or somewhat difficult to cover their expenses and pay all their bills in a typical month. Table 11 reports the regression results for the full model, which includes all demographic variables and the measure for financial literacy for the three separate proxy variables.

As shown in Table 11, women are significantly more likely than men to report difficulties covering expenses and paying bills in a typical month. Having children is also positively linked to having difficulties covering expenses. Being married, however, does not have a significant influence on this proxy variable, even though one might expect that household financial burdens could be spread across two adults who are potentially able to work and smooth income fluctuations. This argument might hold for the other two proxy variables. Regression 1 reports that married respondents are significantly less likely to be financially fragile and, therefore, much more confident about coping with a $2,000 financial shock. Married CPG members are also better prepared to cover expenses for three months with emergency or rainy-day funds they have set aside when compared to singles, divorced, or widowed peers (Regression 2). Time has an influence on the likelihood of having emergency funds. Older CPG members (50+ years old) are more likely than their younger cohort to have emergency savings. Moreover, the likelihood of having rainy-day funds increases with every additional year of work in the church.

Interestingly, for all three regressions, church-provided housing is significantly linked to whether there is trouble covering emergency expenses and making ends meet. Those living in church-owned housing are more likely to be financially fragile, to lack emergency savings, and to experience difficulties in covering expenses and bills on a monthly basis.

Financial literacy strongly and significantly impacts all three proxy variables. Financially literate CPG members are less financially fragile, more likely to have emergency savings to cover expenses for three months, and experience fewer difficulty in making ends meet. These findings reflect the strong link between financial literacy and financial outcomes: Increased financial literacy can help improve an individual's financial situation and perceived financial well-being. Table A4 of the Appendix shows similar regression results but uses the exposure to financial education as proxy for financial literacy.

Table 11: Regression results for three proxy variables of precautionary savings

		(1) Financially fragile	(2) No emergency funds	(3) Difficulty covering expenses
Gender (BL: Male)				
	Female	0.011	-0.015	0.076**
		(0.018)	(0.034)	(0.030)
Age (BL: 25 – 50 years)				
	50+ years	-0.002	-0.078**	-0.055
		(0.020)	(0.039)	(0.034)
Income (BL: less than $25,000)				
	$25,000 – $49,999	0.015	-0.027	0.001
		(0.037)	(0.070)	(0.062)
	$50,000 – $74,999	0.016	0.074	-0.045
		(0.033)	(0.062)	(0.055)
	$75,000 – $99,999	0.009	0.025	-0.046
		(0.033)	(0.062)	(0.055)
	Over $100,000	-0.027	-0.001	-0.124**
		(0.034)	(0.064)	(0.057)
Children				
	Yes	0.003	0.060	0.090***
		(0.021)	(0.039)	(0.035)
Marital Status (BL: single/divorced/widowed)				
	Married	-0.042*	-0.073*	-0.003
		(0.023)	(0.043)	(0.038)
Housing				
	Church-owned Housing	0.048**	0.090**	0.099***
		(0.023)	(0.043)	(0.038)
Job Tenure				
	Years in Service	0.000	-0.004**	0.001
		(0.001)	(0.002)	(0.002)
Financial Literacy				
	Big Three Correct	-0.085***	-0.163***	-0.180***
		(0.023)	(0.043)	(0.038)
Constant		0.157***	0.608***	0.365***
		(0.042)	(0.078)	(0.070)
Observations		928	911	921
R-squared		0.035	0.056	0.057

Source: 2018 CPG survey.

Note: All dependent variables in the regression analysis are dummy variables. A respondent is classified as financially fragile if he/she answered that he/she could probably not or certainly not come up with $2,000 within 30 days. The exact question wording for the dummy variable about lacking emergency savings is: "Have you set aside emergency or rainy-day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?" A respondent is classified as having difficulties covering expenses when he/she answered with "very difficult" or "somewhat difficult" to the question "In a typical month, how difficult is it for you to cover your expenses and pay all your bills?" We exclude the "don't know" and "prefer not to say" answers from all variables. The Big Three financial literacy measure is a dummy variable with value 1 if the respondent answered the interest, inflation, and risk diversification questions correctly. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Concern about Retirement Security

Perceived financial distress at the current moment can also be influenced by long-term planning and decision-making. About one in four clergy members (25%) are worried about running out of money in retirement, and 44% do not have a clear position on whether they are concerned or not. Such a high percentage of people who lack a clear position is concerning, as it might indicate that they do not know how much they will have saved by the time they retire and/or do not know how much they ideally need to maintain financial security through retirement. With the regression results reported in Table 12, we investigate the characteristics of the people who are concerned about running out of money in retirement. In line with Table 10, we report four regression models, with each adding more variables to the set of explanatory variables. Table 12 shows that women are much more likely than men to worry about running out of money in retirement. This holds for all model specifications. Interestingly, age does not seem to have a significant effect. Younger people and those closer to retirement are similarly likely to be concerned about their retirement security. This holds even when looking at five age groups: 25-39, 40-49, 50-59, 60-69, 70+, rather than simply comparing people aged 25 to 50 with people over 50.

CPG members close to retirement remain concerned about running out of money in retirement. This might lead to perceived financial distress since planning for retirement is complex and involves a number of uncertainties. Income, however, does not seem to have an influence in the CPG sample. Respondents with higher income are not significantly less concerned about running out of money in retirement. This supports Table 11's findings that the likelihood of being prepared for short-term shocks is not significantly linked to income. In other words, earning a higher income does not prevent against financial fragility and or a lack of emergency savings; this might indicate that debt obligations increase with income, leaving the household's balance sheet rigid and vulnerable to unexpected shocks.[6]

Once again, marital status has a significant impact. Married clergy members are less worried about running out of money in retirement. In contrast to the analysis in the previous section on lack of precautionary savings, the use of church-owned housing does not significantly affect a clergy members' concern about running out of money in retirement. Moreover, since clergy members have access to a defined benefit pension plan, the years in service have a significant effect on their concern about retirement security. Each additional year working in the church

[6] See Hasler, Andrea, and Annamaria Lusardi, 2019. "Financial Fragility among Middle-Income Households: Evidence Beyond Asset Building," GFLEC Working Paper Series, WP 2019 -1. Available at https://gflec.org/wp-content/uploads/2019/04/Financial-Fragility-among-Middle-Income-Households-WP-2019-1-v2-3.pdf?x70028

brings a decrease in the likelihood that a CPG member is worried about running out of money in retirement. Once again, financially literate clergy members are significantly less likely to be worried about depleting their funds after they stop working. Financial literacy can help prepare individuals for the important and complex decisions involving retirement savings, in both the accumulation and decumulation phases.

Table 12: Regression results for the "worried about running out of money in retirement" variable

	(1) Worried about running out of money in retirement	(2) Worried about running out of money in retirement	(3) Worried about running out of money in retirement	(4) Worried about running out of money in retirement
Gender (BL: Male)				
Female	0.076***	0.061**	0.058**	0.063**
	(0.029)	(0.030)	(0.029)	(0.030)
Age (BL: 25 – 50 years)				
50+ years	-0.046	-0.003	0.003	-0.004
	(0.031)	(0.034)	(0.034)	(0.034)
Income (BL: less than $25,000)				
$25,000 – $49,999	0.099	0.096	0.100	0.106*
	(0.063)	(0.063)	(0.062)	(0.063)
$50,000 – $74,999	0.065	0.067	0.057	0.079
	(0.055)	(0.055)	(0.054)	(0.055)
$75,000 – $99,999	-0.006	0.011	0.003	0.027
	(0.055)	(0.055)	(0.054)	(0.055)
Over $100,000	-0.005	0.025	0.036	0.042
	(0.055)	(0.057)	(0.056)	(0.057)
Children				
Yes	0.009	0.013	0.018	0.010
	(0.035)	(0.035)	(0.034)	(0.035)
Marital Status (BL: single/divorced/widowed)				
Married	-0.093**	-0.090**	-0.069*	-0.085**
	(0.038)	(0.038)	(0.038)	(0.038)
Housing				
Church-owned Housing		0.008	-0.010	0.009
		(0.038)	(0.037)	(0.038)
Job Tenure				
Years in Service		-0.005***	-0.004***	-0.005***
		(0.002)	(0.002)	(0.002)
Financial Literacy				
Big Three Correct			-0.196***	
			(0.037)	

Financial Education				
Offered				-0.104***
				(0.040)
Constant	0.286***	0.310***	0.448***	0.384***
	(0.065)	(0.065)	(0.070)	(0.071)
Observations	925	925	925	925
R-squared	0.032	0.041	0.069	0.048

Source: 2018 CPG survey.

Note: The question wording is "I worry about running out of money in retirement" and the variable in the regression analysis is a dummy variable that is set to 1 if the respondent answered 6-7 on a scale from 1 (strongly disagree) to 7 (strongly agree) and 0 otherwise. We exclude the "don't know" and "prefer not to say" answers. The Big Three financial literacy measure is a dummy variable with value 1 if the respondent answered the interest, inflation, and risk diversification questions correctly. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Conclusion

Financial decisions can have a sweeping influence over an individual's financial well-being now and far into the future. In today's economy, individuals are required to make complex financial decisions that can impact financial security over the life cycle. In this study, we evaluate the financial capability and knowledge of clergy members of the CPG and examine their money management behavior beside that of comparison groups from the 2015 NFCS and 2018 NFCS. The findings are insightful and useful in shaping financial education programs.

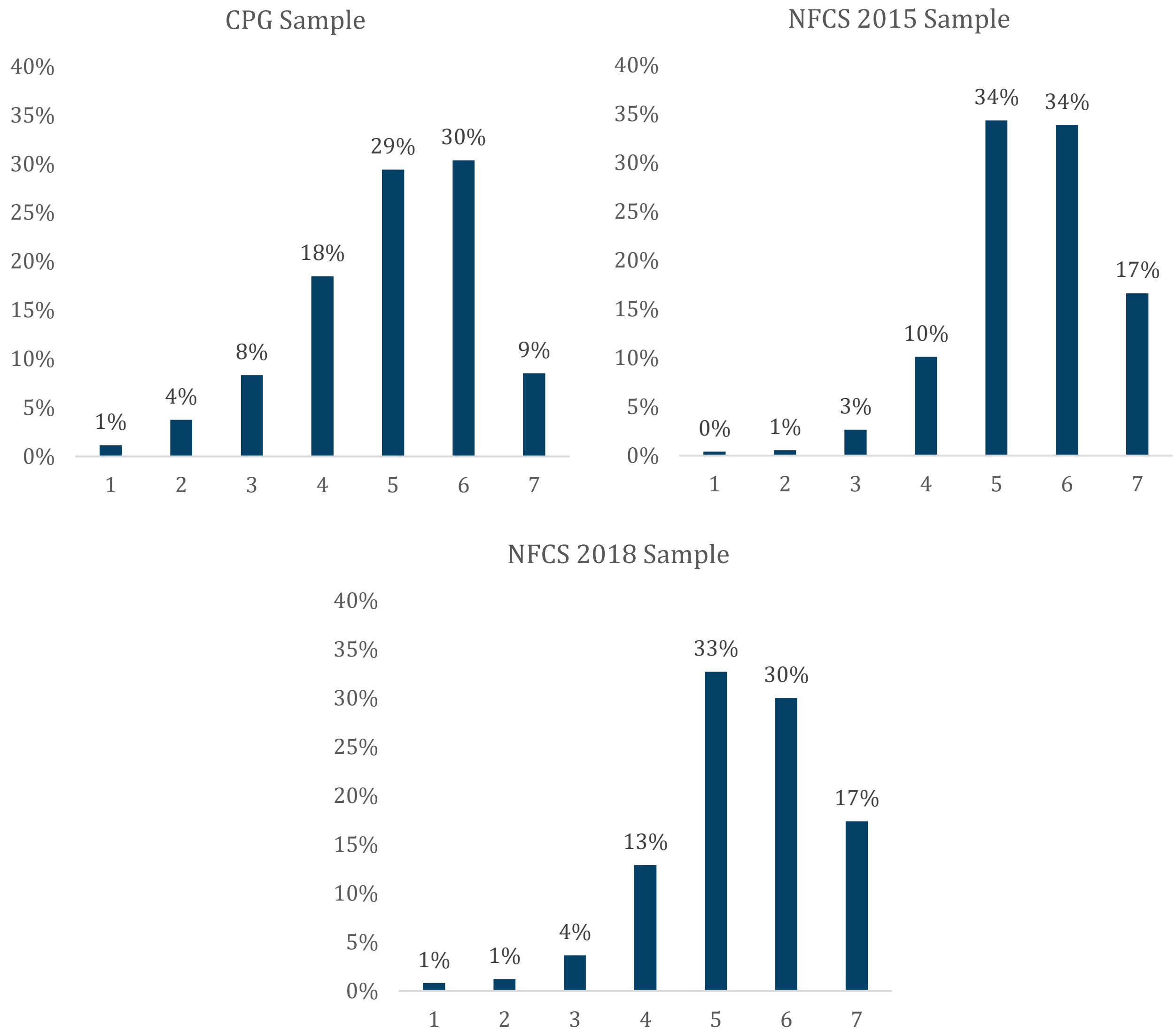
Clergy members carry a lot of assets, although these assets are often leveraged (i.e., purchased with debt). When it comes to money-management behavior, a notable percentage of CPG members engage in credit card behavior that incurs high fees. This is especially notable, since this is a group of people with above median income and relatively high financial knowledge. Still, few clergy members report missing student loan or mortgage payments in the past year, indicating that they make them a priority. When it comes to savings, more than one in three people in the CPG sample did not save money over the past year, 12% accumulated debt (i.e., spent more than their income), and almost 40% said they have not set aside emergency or rainy-day funds.

CPG members do relatively well in correctly answering the Big Three financial literacy questions, but only one in four could correctly answer all six financial literacy questions. In this context, we find that financial literacy significantly affects perceived financial distress. People with higher financial literacy are less likely to feel they have too much debt, to lack precautionary savings, to worry about making ends meet, and to be concerned about retirement security.

Overall, our findings show that clergy members are doing relatively well when compared to a similar group in the NFCS. However, there is still within the clergy member sample a concerning degree of financial distress and lack of preparedness when it comes to financial decision-making. Since financial literacy has a strong influence on financial outcomes and well-being, it is clear that CPG members could benefit from broad and comprehensive financial education tailored to their needs and financial circumstances. An effective financial education program should take into account a participant's financial situation and follow an integrated approach that considers both assets and debt in addition to retirement savings. Customized programs will provide CPG members with the knowledge and capability they require to be financially secure over their life cycle.

Appendix

Figure A1: Perceived financial knowledge in the CPG and NFCS samples



Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: The question asked is: On a scale from 1 (very low) to 7 (very high), how would you assess your overall financial knowledge? The percentages do not sum up to 100% because the “don’t know” and “prefer not to say” responses are not included.

A) Financial Literacy Questions

Interest Rate Question
Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow? [More than $102; Exactly $102; Less than $102; Don't know; Prefer not to say]

Inflation Question
Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
[More than today; Exactly the same; Less than today; Don't know; Prefer not to say]

Risk Diversification Question
Buying a single company's stock usually provides a safer return than a stock mutual fund.
[True; False; Don't know; Prefer not to say]

Bond Pricing Question
If interest rates rise, what will typically happen to bond prices?
[They will rise; They will fall; They will stay the same; There is no relationship between bond prices and the interest rate; Don't know; Prefer not to say]

Compound Interest Rate Question
Suppose you owe $1,000 on a loan and the interest rate you are charged is 20% per year compounded annually. If you didn't pay anything off, at this interest rate, how many years would it take for the amount you owe to double?
[Less than 2 years; At least 2 years but less than 5 years; At least 5 years but less than 10 years; At least 10 years; Don't know; Prefer not to say]

Mortgage Question
A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.
[True; False; Don't know; Prefer not to say]

Table A1: Who in the household is most knowledgeable about saving, investing, and debt?

	Total CPG	Total NFCS 2015	Total NFCS 2018	Male CPG	Male NFCS 2015	Male NFCS 2018	Female CPG	Female NFCS 2015	Female NFCS 2018
You	0.5779	0.6626	0.6403	0.6056	0.7528	0.7282	0.5387	0.5201	0.5083
Someone else	0.1290	0.0562	0.0743	0.0898	0.0321	0.0511	0.1845	0.0945	0.1092
You and someone else are equally knowledgeable	0.2642	0.2689	0.2754	0.2764	0.2042	0.2155	0.2469	0.3711	0.3653
Don't know	0.0227	0.0095	0.0077	0.0229	0.0081	0.0052	0.0224	0.0118	0.0116
Prefer not to say	0.0062	0.0027	0.0022	0.0053	0.0029	0.0000	0.0075	0.0026	0.0056
Observations	969	4,024	3,538	568	2,258	1,970	401	1,766	1,568

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: In the NFCS, this question was only asked to respondents who said that they are married or living with a partner.

Table A2: Overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition?

	CPG	NFCS 2015	NFCS 2018
Low Satisfaction	0.1833	0.1472	0.1646
Moderate Satisfaction	0.4365	0.4456	0.4745
High Satisfaction	0.3802	0.4071	0.3609
Observations	960	5,734	5,061

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: From a scale from 1 (Not at all satisfied) to 10 (Extremely satisfied), "Low Satisfaction" indicates those who answered 1-3, "Moderate Satisfaction" indicates those who answered 4-7, "High Satisfaction" indicates those who answered 8-10. The number of observations is lower because the "don't know" and "prefer not to say" answers were excluded.

Table A3: Income volatility and time preferences in the CPG and NFCS sample

	CPG	NFCS 2015	NFCS 2018
Over the past 5 years, which of the following best describes your income?			
Roughly the same amount each year	0.2175	NA	NA
Gradually increased	0.5924	NA	NA
Decreased	0.0760	NA	NA
Occasionally varied from year to year	0.0570	NA	NA
Varied quite a lot from year to year	0.0570	NA	NA
For the next 5 years, which best describes your income expectation?			
Roughly the same amount each year	0.3435	NA	NA
Gradually increase	0.4978	NA	NA
Gradually decrease	0.1098	NA	NA
Vary quite a lot from year to year	0.0489	NA	NA
In planning or budgeting your household's saving and spending, which of the following time periods is most important to you and your household?			
The next few months	0.0768	0.2051	NA
The next year	0.1954	0.1868	NA
The next few years	0.2799	0.2445	NA
The next 5 to 10 years	0.2920	0.2088	NA
Longer than 10 years	0.1559	0.1548	NA

Source: 2018 CPG survey, 2015 NFCS, and 2018 NFCS.
Note: The "don't know" and "prefer not to say" answers were excluded from these questions.

Table A4: Regression results for proxy variables of precautionary savings (using financial education)

	(1) Financially fragile	(2) No emergency funds	(3) Difficulty covering expenses
Gender (BL: Male)			
Female	0.014	-0.013	0.081***
	(0.018)	(0.034)	(0.030)
Age (BL: 25 – 50 years)			
50+ years	-0.006	-0.086**	-0.064*
	(0.021)	(0.039)	(0.034)
Income (BL: less than $25,000)			
$25,000 – $49,999	0.018	-0.026	0.004
	(0.037)	(0.071)	(0.063)
$50,000 – $74,999	0.027	0.089	-0.028
	(0.033)	(0.062)	(0.056)
$75,000 – $99,999	0.023	0.041	-0.028
	(0.033)	(0.063)	(0.056)
Over $100,000	-0.021	0.000	-0.123**
	(0.034)	(0.065)	(0.058)
Children			
Yes	-0.002	0.054	0.083**
	(0.021)	(0.039)	(0.035)
Marital Status (BL: single/divorced/widowed)			
Married	-0.048**	-0.090**	-0.023
	(0.023)	(0.043)	(0.038)
Housing			
Church-owned Housing	0.057**	0.107**	0.116***
	(0.023)	(0.043)	(0.038)
Job Tenure			
Years in Service	-0.000	-0.005**	0.001
	(0.001)	(0.002)	(0.002)
Financial Education			
Offered	-0.070***	-0.087*	-0.078*
	(0.024)	(0.045)	(0.040)
Constant	0.150***	0.562***	0.299***
	(0.042)	(0.080)	(0.072)
Observations	928	911	921
R-squared	0.030	0.045	0.038

Source: 2018 CPG survey.

Note: All dependent variables in the regression analysis are dummy variables. A respondent is classified as financially fragile if he/she answered that he/she could probably not or certainly not come up with $2,000 within 30 days. The exact question wording for the dummy variable about lacking emergency savings is: "Have you set aside emergency or rainy-day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?" A respondent is classified as having difficulties covering expenses when he/she answered with "very difficult" or "somewhat difficult" to the question "In a typical month, how difficult is it for you to cover your expenses and pay all your bills?" We exclude the "don't know" and "prefer not to say" answers from all variables. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors are reported in parentheses. *** p<0.01, ** p<0.05, * p<0.1

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