

Money matters

Leslie Linfield, executive director of the Institute for Financial Literacy, pushes fiscal responsibility

PHOTO/ DAVID A. RODGERS

BY ANDREW VIETZE

Leslie Linfield knows that her business puts her in a unique position: Rather than face hard times when the economy is in bad shape, like most every other company, her Portland-based outfit booms.

With the fallout from the subprime mortgage crisis, record-level foreclosures in Maine, rising bankruptcies and a potential recession on the horizon, opportunity abounds for the Institute for Financial Literacy. The non-profit educational organization last month saw its largest one-week increase in receivables. Meanwhile, it's doubled its customer base in the last year and is hiring more workers to meet the demand for its services. Linfield estimates she'll increase her staff of 57 by more than 20% by the end of the year.

"That's not a good sign for the economy," she says. "I have mixed feelings about our success, because we're a barometer for the turning economy. But I have to remember what we're doing."

What the Institute for Financial Literacy does is teach people how to better manage their finances — how to navigate credit, loans, savings, and the benefits and pitfalls of each. Specifically, it counsels people before and after they file for bankruptcy, helps struggling individuals with online and phone-based consultations, sponsors a wealth of educational programs, and provides curriculum material for financial literacy classes nationwide. The company's employees are literacy tutors, but

Institute for Financial Literacy

449 Forest Ave., Portland

Executive director: Leslie Linfield**Year founded:** 2002**Employees:** 57**Annual budget:** \$2.5 million**Services:** IFL offers a range of services, including bankruptcy counseling, financial educator certification, consumer research, a variety of financial literacy educational programs.**Contact:** 221-3613
www.financiallit.org

Fiscal fitness: Leslie Linfield, executive director of the Institute For Financial Literacy, talks with her husband, John, in the organization's Portland office

they're teaching people how to read budgets and bottom lines rather than books. They teach people how to get fiscally fit.

If all this sounds similar to the kinds of sketchy credit-counseling and debt-management services you see in ads on late-night cable TV, Linfield says it's not. In fact, it was those types of fly-by-night businesses that prompted her to found the institute in 2001.

"The credit counseling services seemed to have abandoned doing any sort of financial education because they became so product driven, with their debt management plans," says Linfield, 41, who has worked both as a banker and a lawyer in her 20-year career. "I realized the baby had been thrown out with the bathwater. I looked around and saw there was no national organization dedicated to adult financial literacy."

Empty pockets?

A decade ago, the idea that someone could be literate — or illiterate — in financial matters wasn't something that was commonly discussed. Some people seemed to be better at managing money than others, but

there was no term for that.

"When we started," says Linfield, "people would ask, 'What's financial literacy?' How things have changed. Now I'm the popular girl at the dance."

In seven years, IFL has become a leader in the nascent financial literacy field. The non-profit has helped write national standards for financial literacy, Linfield has authored several titles on managing household economies, and IFL has been asked by the federal government to write the standards for financial literacy education. ("We determined the base knowledge and skills an adult should have after completing a course in financial education," Linfield says.)

IFL also does a great deal of consumer financial research and publishes reports on topics like the demographics of bankruptcy and how Americans plan to spend their federal stimulus checks.

The IFL has a financial literacy library, and educates the educators — its Center for Financial Certification offers credentials to teachers and counselors. And IFL founded and sponsors an annual conference on financial education attended by a who's who in

the field — teachers from kindergarten through college, banks, representatives from the credit-counseling industry, bankruptcy lawyers, government officials, and even Pentagon types (“The military is the largest financial educator in the nation,” Linfield says).

A 2006 nationwide survey by the Pew Research Center found that “nearly two-thirds (63%) of Americans acknowledge they don’t save enough, and more than a third say that they often (11%) or sometimes (25%) spend more than they can afford. More than one in three (36%) Americans also say that they have at some point in their lives felt their financial situation was out of control.”

The Pew survey also mentioned that the U.S. Commerce Department’s Bureau of Economic Analysis estimated that the American public — for the first time in the past half century — has been spending more than it has earned after taxes. Nationally, the savings rate for Americans has fallen dramatically. “About 20 years ago, the savings rate was around 7%,” says Linfield. “Now it’s negative one [percent].”

“Obviously from what’s going on in the economy right now many households are taking on debt that was unmanageable for them,” agrees Kevin Thurston. Thurston is the director of special projects in the Maine State Treasurer’s Office, and he spends about half of his time on financial literacy programming.

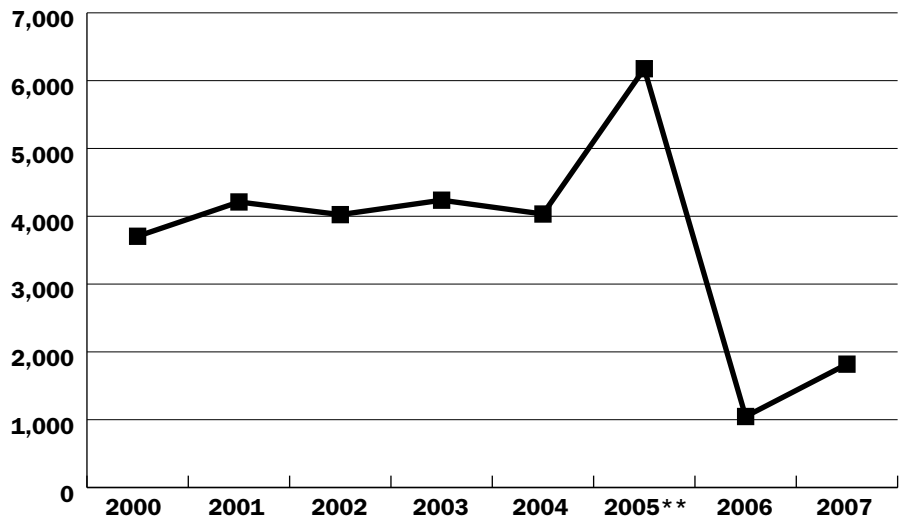
“Part of financial literacy is consumer advocacy,” he says. “You want people to be able to walk into a bank when they’re looking to take out a loan and be on solid footing. You want them to be able to make decisions themselves, rather than having the decisions be made by the person on the other side of the desk.”

Robert Lerman, an economics professor at American University in Washington, D.C., doesn’t think that people need to know everything about finance, but says they should have a elementary grasp — and that they’re not getting it. “I teach an intro to economics class, and the truth is in the main textbooks they teach very little about financial literacy,” says Lerman, who serves as an economist with The Urban Institute, a non-partisan economic research center, and has written several studies on financial literacy.

Lerman says financial knowledge should be thought of like health care. “You should know the basics of how to keep up your own health. But if you have a need for brain surgery, you wouldn’t consider doing that yourself,” he says. “People should know when to look for help.”

Rep. Marilyn Canavan, a Democrat from Waterville, says the public’s need for help became apparent a few years ago when she picked up a newspaper and read an article about a family that was \$25,000 in debt. “I

Annual personal bankruptcies* in Maine



* Personal bankruptcies in this chart refer to Chapter 7 filings, where individuals, couples or corporations liquidate their assets to pay creditors.

** New federal laws that took effect in 2005 tightened bankruptcy rules, leading to a spike in bankruptcy filings before the Oct. 17, 2005 deadline.

just couldn’t even imagine that,” she says. “Then I saw the increasing number of bankruptcies in Maine, then the changes in the federal bankruptcy laws in 2005, and all of those things made it seem to me that families need to be more frugal in their spending habits and that they could use some financial education.”

In June 2007, LD 216 was signed into law. The bill, sponsored by Canavan, aimed to establish a financial literacy program in the state. After becoming law, it used non-tax monies from the Office of Consumer Credit Regulation to fund the financial education programming that Thurston now oversees. Part of this involves the dispensation of grant money. This month, the Institute for Financial Literacy will receive a \$50,000 grant from the program.

Back to business

When Leslie Linfield moved from Connecticut to Maine in 2001 for a job in the South Portland office of Texas-based Consumer Credit Counseling Services, it was a return to her roots. A former banker and credit counselor, Linfield in the late 90s left those industries behind for law school. After graduating from Boston’s New England School of Law in 1998, she set up a private practice in Connecticut, specializing in estate planning and small-business law.

But after working for CCCS for nine months, Linfield determined it wasn’t a good fit. “It had been a decade since I’d done this kind of work,” she recalls. “And I realized that it had radically transformed.”

Rather than help people through difficult times and teach them how to avoid financial

problems in the future, the new model appeared to Linfield to be more profit driven. “There is no education component anymore,” she says. “What’s offered are quick fixes, offered inappropriately to whoever calls, not to those who need it most.”

(A call for comment from CCCS was not returned in time for publication.)

Since the credit counseling agencies were no longer attempting to educate people, in her estimation, she thought someone should. “I recognized there was both a need [for financial education] and an opportunity.” Linfield and her husband, John, set about filling the gap. They found a space on Forest Avenue and started building partnerships.

“It took us five years to get it to cash flow successfully,” she says. “We are absolutely textbook — classic textbook for a small business.”

Only three years ago, the Linfields — he’s the tech and nuts-and-bolts guy, she’s the executive director and public face — had three unpaid volunteers working with them. “Today we have 57 employees and we’ll break over \$3 million this year,” she says.

The Institute for Financial Literacy worked hard in its early days, forging a partnership with the New England YWCA and creating a Women’s Financial Literacy Project. This gave IFL some credibility and attracted interest — as well as a few grants. The organization formed another alliance with the Department of Health and Human Services’ welfare-to-work program, ASPIRE. “I was tenacious. My love of caffeine started then. I just kept plugging away,” says Linfield, who is known among colleagues for her coffee habit. “Whether you’re a non-profit or a small for-profit, you have to believe in what

you're doing."

IFL's big break came in 2005, when the federal government changed its bankruptcy laws. New requirements were put in place that required that people get counseling both before and after filing. "My husband and I just looked at each other," Linfield says. "We knew we were going to change overnight."

Change they did. They expanded IFL's office and doubled its staff. And Leslie Linfield began to see the organization's balance sheet rise into the black. Bankruptcy consultations now account for about 90% of IFL's business. Last year, it served 50,000 people nationwide. In 2006, it was around 25,000. The Institute usually counsels each person for about an hour, and classes last two hours. The charge is around \$100 per session, says Linfield, and sessions typically occur on the telephone, though customers also can have counseling sessions online or in classrooms nationwide.

At this point, bankruptcies are at an all-time high in Maine and growing elsewhere. According to an Associated Press article from January, filings for personal bankruptcies in the state hit 1,819 in 2007 — 75% higher than the previous year. (For more, see the chart, "Annual personal bankruptcies in Maine," page 29.) Nationwide, filings were up 40%, which means the Institute will be on firm footing for some time to come.

And it isn't only bankruptcies that are on the rise. Foreclosures hit record numbers in Maine and the nation. School loans are losing their guarantees, and the future looks bleak for some overextended homeowners.

"We are going into really hard times," says Linfield. "This seems to me — and I'm not an economist, but I am a student of history — more reminiscent of the 1930s than it does of the 1980s. There are parts of this country in depression already."

To raise awareness of their work, IFL is sponsoring a Financial Literacy Day on April 8 at the Hall of Flags in the Maine State House in Augusta. An array of financial education organizations will be there, including Junior Achievement, Coastal Enterprises Inc., and Women, Work, and Community as well as several state agencies. The day-long program was designed to educate both the state government and the general public as to what groups are available and where to turn if personal finances become a problem.

"This economy concerns me at such a level, I want people to know there are people out there to help them," says Linfield. "We want to create economic solutions for the nation."

Andrew Vietze, a writer in Appleton, can be reached at editorial@mainebiz.biz.

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