

The Need for Financial Literacy Education in Law Enforcement

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Abstract

Financial literacy training within law enforcement agencies may benefit its members and improve the quality of a department. Unfortunately, not all agencies have programs in place to address and guide financial decision making. Providing such training has the potential to improve personal financial behaviors and job performance, therefore improving both the quality of the employee and the workplace. Through analyzing data collected from street officers up to department heads from the Winter Haven Police Department, this study was conducted to determine if there is a need for such training within law enforcement agencies.

Introduction

Financial literacy training programs have been in place for years throughout the nation and are often found within many successful organizations. Several of these organizations are continually on the Fortune 500 listing. However, this is not true for all. Some smaller businesses have taken hold of this concept and implemented similar training for their employees resulting in comparable successes. Financial literacy training programs are predominantly found in the corporate world and are rarely talked about in the public sector, or in law enforcement agencies where salaries tend to be lower than the average private industry job and the effects of financial stress and debt can compound that which already exists from the daily dangers on the job.

Research based on the private sector indicates that implementing a financial literacy training program within a law enforcement agency may aid in stress reduction, increase the rate of employee retention, and better prepare individuals for retirement. This paper attempts to use comparisons with other organizations to identify whether there is a need for financial literacy training programs within law enforcement agencies.

Literature Review

In conducting the research, it was found that there are no direct resources available that have studied or identified the need or use of financial literacy training within law enforcement agencies. All the references utilized within this paper are a result of thorough and lengthy studies of mid-size businesses and large corporations. The studies were primarily focused on financial education in the workplace and were conducted by post-graduate academia, college professors, and certified educators within various financial institutions. Having a brief background of those conducting the

referenced studies, we will now examine an overview of each cited as they pertain to financial literacy education in the workplace.

In a three year study of several large financial institutions, health care facilities, and chain-style restaurants, researchers concluded that offering financial education in the workplace does have overall positive effect on employee's financial well-being. The study was voluntary for the employees and most chose to participate. Out of those that did, many began to contribute more to their respective savings plans. In addition, their participation in retirement planning programs being offered by employers also increased. As a result, the choices they made based on what they learned through the financial training ultimately led to a boost in their overall net worth.

At the conclusion of the study, the researchers identified what they feel are the critical components necessary for a successful workplace financial education program. These components are: (1) knowledgeable trainers experienced in teaching adults; (2) certified financial planners to aid in developing financial goals and plans; and (3) training delivered within the workplace (Edmiston, Gillett-Fisher, & McGrath, 2009).

Brunson, Kratzer, Garman, Kim, & Joo, 1998, conducted a study similar to that of Edmiston, Gillett-Fisher, & McGrath, but theirs was carried out within a southern U.S. chemical production company and geared at investigating whether workplace financial education was an effective training, both to the employer and employee. This company, which remains unidentified at the request of their legal representatives, had 300 employees at the time of the study. Out of their 300 employees, 181 chose to participate in the research project and provide feedback upon its conclusion. The results were encouraging all around. Most workers reported that they made better financial decisions as a result of the financial education they were provided through their employer. Many cited an increased confidence when making investment decisions, which enabled them to adjust their savings strategies and appropriately diversify their investments resulting in an overall improved financial situation. Most workshop participants showed a genuine interest in the education and put plans in place to continue improving their financial well-being. According to feedback from senior management within the company, workers were motivated and more productive on the job as a result of the training and expressed interested in attending more workshops on a variety of topics related to financial education.

In research by E. Thomas Garman through Virginia Tech, he identifies that there are distinct advantages when a workplace financial education program is implemented within a business or company. Garman says that not only do employees *want* workplace financial education, but that financial education changes their personal financial behaviors and job productivity. It increases awareness about the need to plan and save for retirement, their knowledge of personal finances, feelings of personal control over their finances, and confidence in managing money to achieve personal goals (Garman, 1999). Garman found employers that offer financial education programs benefit too. They see a positive increase in work performance since the employee doesn't need to waste time stressing about their finances.

Financial skills such as budgeting, credit management and saving for the future, are skills that can be learned, but many people simply lack this necessary knowledge. Moreover, they do not have access to trusted and knowledgeable sources to provide it.

Almost three out of four (73%) employees are very interested in their employer providing programs to help them make decisions about their financial needs. Employers are well positioned to provide this education, and there are significant advantages to doing so (Metropolitan Life Insurance Company [MLIC], n.d.).

Another example of a positive impact of a financial education in the workplace can be found within the company Schlumberger Limited. As of August 2012, this company had more than 115,000 employees in 85 different countries. Schlumberger Ltd. has been in business since 1926, and since its inception, has held strong beliefs in educating all of its employees in personal finance. Management at the company believes that the earlier they educate employees about financial education, the sooner they are likely to set goals and take action, and the more likely they are to become more productive, motivated employees. Employee financial education is one of their most powerful tools to enhance retention through better understanding of the economic value of company benefit plans (Garman, Young, & Love, 2000).

Some researchers say that the impacts of financial education programs in the workplace are still unclear. In Hathaway & Khatiwada, 2008, the evaluation of workplace financial programs concluded that participation in retirement plans and self-assessed financial behaviors may have improved, but may not have been directly from the workplace education (p. 11). In fact, the improvements seen in the retirement plans may have been due to the employee transferring his or her accrued savings into retirement. In this case there is not an improvement in savings overall. However, in this study the financial education programs that were offered to specifically increase savings (liquid assets) did have a significant success rate, especially on employees with lower levels of income.

Despite some of the findings in the research conducted by Hathaway & Khatiwada, the review of the literature seems to overwhelmingly indicate there is a benefit for employers to offer, and for employees to engage in, financial literacy training programs. This would include law enforcement agencies, especially if the push for this type of program is supported by the agency heads.

Additional research will need to be completed with law enforcement agencies that may have already implemented a financial education training program. This research will provide important data and provide a clearer picture as to whether there is a need for this type of training, and if those within law enforcement positions benefit similar to those working within the private sector.

Method

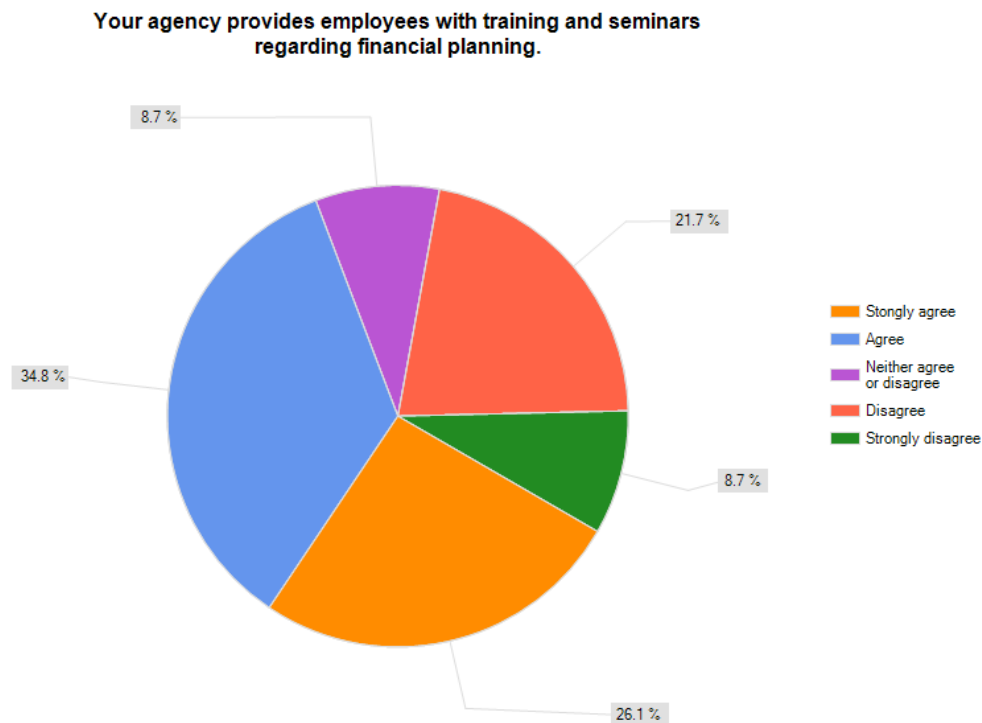
Research was conducted using two separate groups of criminal justice professionals. The first group consisted of 30 middle managers all from different criminal justice agencies within the State of Florida to include law enforcement and corrections. This group was given a six-question survey formatted with answers based on a five-level Likert Scale.

The second group that was surveyed consisted of 84 sworn law enforcement officers who are employed with the Winter Haven Police Department. They were

provided with a questionnaire that required responses to 25 questions. This questionnaire also utilized the five-level Likert Scale in most of the questions, however there were also some yes/no, level of rank, and age options offered. Both surveys were administered via the Internet through a secure survey website and the data was collected electronically.

Results

Out of the 30 middle managers, 23 completed the survey for a 76.5% return rate. Sixty percent strongly agreed or agreed that their agency provides them with training and seminars regarding financial planning. Eight percent neither agreed nor disagreed and 30% disagreed or strongly disagreed with this question.



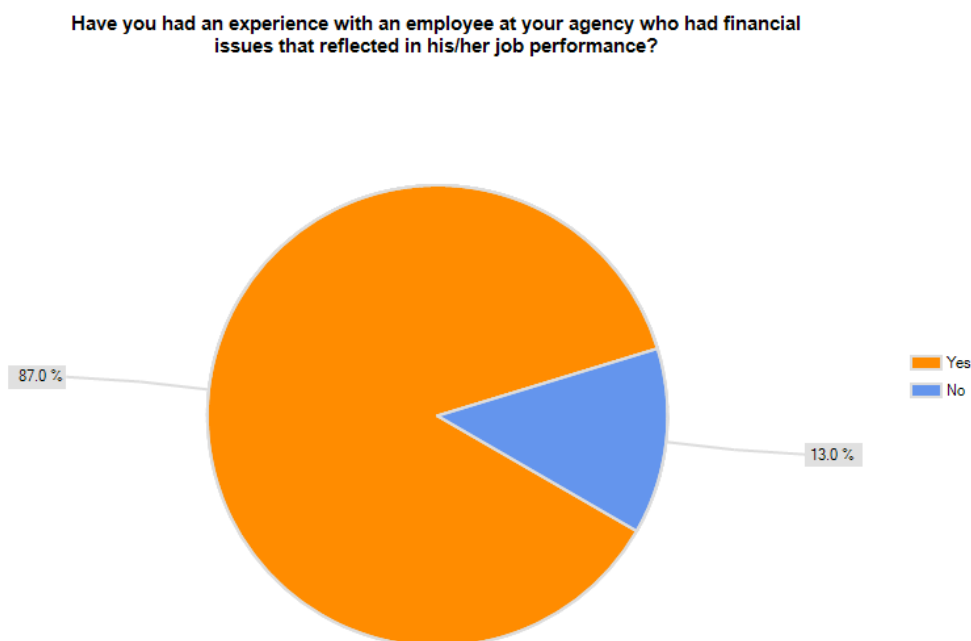
When asked if their agency offered financial training specifically about retirement investments, 65% agreed or strongly agreed that their agency provided this type of education. Twenty-five percent either disagreed or strongly disagreed. Eight percent remained neutral in saying that they neither agree nor disagree.

In response to whether their agency offers financial training aside from retirement investments, such as basic savings, credit management, or home ownership, 52% disagreed and 8% strongly disagreed. In contrast, 26% agreed that their agency did offer it.

Forty-seven percent of the participants agreed that an ongoing program within their agency that was designed to assist employees in achieving their financial goals would be utilized. Seventeen percent disagreed and 34% remained in the middle on this question and neither agreed nor disagreed.

Asked if they knew how many of the employees at their agencies contribute additional funds to their retirement planning program, 18% indicated that they did know whereas 63% did not. Out of the 18% that did know, 9% contributed less than 10% of their income, 9% of them contributed between 10 and 20%, 4% between 21 and 30%, and surprisingly 13% contributed more than 50% of their income to their retirement savings plan.

The final question in the survey asks the participant if they have ever known an employee that they work with that had financial issues that reflected in their job performance. Eighty-seven percent indicates “yes” and 13% responded with “no.”



In the second survey that was distributed to the sworn personnel of the Winter Haven Police Department, 33 out of the 84 members participated in the survey for a 39% return rate. The first two questions were formulated to determine the age and rank of each individual being surveyed. The majority of the participants were between the ages of 41 and 50 years old, 45% to be exact. Although the rank of each member participating varied, the majority (42%), were street-level officers.

In response to whether or not they have any concerns about finances, 72% answer “yes” and the remaining 28% replied “no.” When asked if they had clearly defined goals such as saving for a special purpose, 75% either strongly agreed or agreed, 15% neither agreed nor disagreed, and 9% disagreed. Another question was posed as to whether or not an action plan was in place in order to meet financial goals. Sixty-five percent either agree or strongly agreed. Twenty-one percent neither agreed nor disagreed, and 12% disagreed.

In the question pertaining to investments and whether a long-term investment strategy was in place, 54% agreed or strongly agreed, 18% remained neutral and neither agreed nor disagreed, and 27% disagreed.

In response to the question “Should the need arise, you have a financial emergency plan in place?”, 51% agreed or strongly agreed, 12% neither agreed nor disagreed, and 33% disagreed. When asked whether they could identify their “true” income, which was explained as recurring income they could count on, 84% agreed or strongly agreed, 3% neither agreed or disagreed, and 12% disagreed.

Additional questions were posed to the respondents that focused on their knowledge of basic finance skills such as knowing their home mortgage, car loan, and credit card interest rates. These responses were favorable in that the participants claimed to have an overall general knowledge in these areas (see Appendix A for results).

In the final group of questions, the participants were asked to respond to questions that had a more direct focus on financial education within the workplace. The first of these questions asked if their agency provided them with any training and/or seminars on financial education. Seventy-two percent disagreed or strongly disagreed, 24% neither agreed nor disagreed, and 3% agreed.

When asked if they would participate in a comprehensive financial education program regarding topics other than retirement investment, 75% agreed or strongly agreed, 21% neither agreed nor disagreed, and 3% disagreed.

In response to whether they felt that they would benefit from an ongoing program designed to provide them with assistance to achieve their financial goals, 84% agreed or strongly agreed, 12% remained neutral, and 3% disagreed.

The final question asked whether there is need for financial literacy training within law enforcement. Ninety-one percent agreed or strongly agreed and 9% neither agreed or disagree. Unlike the previous questions, there were no respondents that disagreed with this question.

Discussion

In reviewing the findings from the research that was conducted with the select group of middle managers, over half indicated that their agency offered some type of training in regard to financial planning. Although this was a positive response and their needs as it relates to this research seemed to be met, there are still just under 50% of the group that do not receive this type of training. Despite the near split, the majority of those surveyed did agree that programs offered by an agency to help members achieve

financial goals would be utilized. An interesting statistic was that although over half of the agencies respondent's reported that their agency offered financial training, 83% indicated that they knew of a co-worker that had financial issues that affected his/her job performance. This response raises the question of how effective the current financial education training is in those agencies. Is there a need for more, or is the training that is being offered not being delivered appropriately? It is quite possible the some of the programs that are in place are beneficial, however it is the member that chooses not to take advantage of it. The outcome of the survey distributed to the middle management group can be compared both positively and negatively to the findings within the literature review.

The second group surveyed, the sworn members of the Winter Haven Police Department, overall provided responses indicating that financial literacy education within their workplace was limited. Over 90% agreed that there is a need for such training within law enforcement and the majority felt that they would benefit as a result of participating in such training. Comparing the feedback in this survey with that of the results found in the literature review there is a clear indication that there is a need for this type of training within the Winter Haven Police Department, and with such a high percentage of the employees willing to engage in the training, both the department and its members can stand to benefit from it.

In addition to the research done, there still remains a need for additional work in this area. Surveys targeting those that have retired from law enforcement need to be completed to determine if financial literacy training in the workplace would have had an impact on them during their time on the job and more importantly when they were making preparations for retirement.

Recommendations

- Law enforcement agencies that currently offer financial literacy education training continue to do so, and at the same time measure the effectiveness of the training.
- Agencies that do not offer this type of training should research an appropriate program and begin immediately. There are multiple programs and commercial products available to officers and agencies.

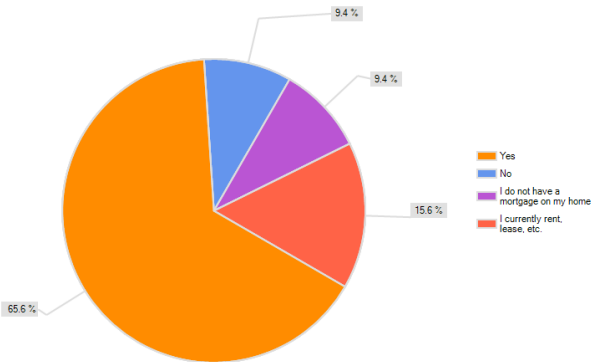
Lieutenant Brian Lieberman has served the Winter Haven Police Department for 15 years. He has been assigned to many different divisions to include Patrol, Narcotics, Advanced & Specialized Training, and Criminal Investigations. He is currently assigned to the Investigative Services Bureau. Brian is an adjunct instructor for the Kenneth C. Thompson Institute of Public Safety, Polk State College and Corinthian College. He earned a Bachelor's Degree in Criminology and a Master's Degree in Criminal Justice from Saint Leo University.

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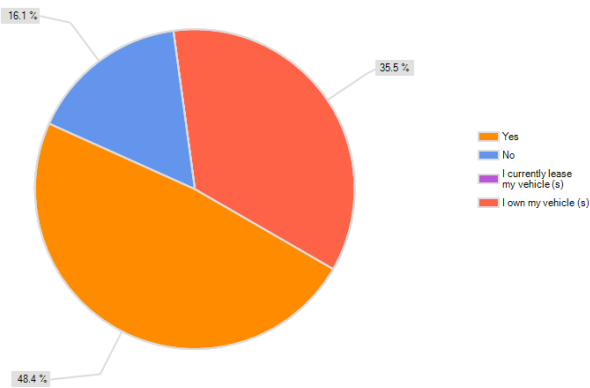
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Appendix A

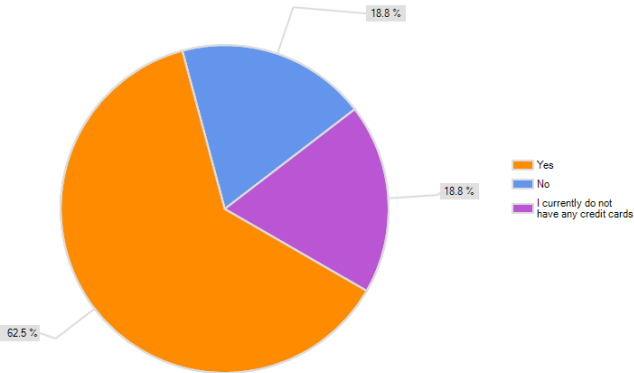
Do you know the mortgage interest rate on your home?



Do you know the interest rate on your vehicle(s)?



Do you know the interest rate on your credit cards?



Appendix B

1. Your agency provides employees with training and seminars regarding financial planning.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree or disagree
- ☐ Disagree
- ☐ Strongly disagree

2. Your agency provides employees with a financial planning program regarding retirement investment.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree or disagree
- ☐ Disagree
- ☐ Strongly disagree

3. Your agency provides a comprehensive financial planning program regarding topics other than retirement investment (i.e., basic savings, credit management, and homeownership)?

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree or disagree
- ☐ Disagree
- ☐ Strongly disagree

4. An ongoing program offering continuous feedback to help employees achieve financial goals would be utilized within your agency.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree or disagree
- ☐ Disagree
- ☐ Strongly disagree

5. Do you know an approximate percentage of employees at your agency who contribute additional funds to their retirement planning program? If yes, please indicate a percentage.

- ☐ Yes
- ☐ No
- ☐ Unknown
- ☐ <10%
- ☐ 10 to 20%
- ☐ 21 to 30%
- ☐ 31 to 40%
- ☐ 41 to 50%
- ☐ >50%

6. Have you had an experience with an employee at your agency who had financial issues that reflected in his/her job performance?

- ☐ Yes
- ☐ No

Appendix C

1. What is your age group?

- ☐ 20 to 30 years old
☐ 31 to 40 years old
☐ 41 to 50 years old
☐ 51 or older

2. What is your current rank?

- ☐ Officer
☐ Detective
☐ Sergeant
☐ Lieutenant
☐ Captain
☐ Major
☐ Deputy Chief
☐ Chief

3. As a law enforcement officer, do you have any concerns about financial issues?

- ☐ Yes
☐ No

If yes, please indicate your primary concern in the textbox below

4. You have clearly defined financial goals (saving for a special purpose).

- ☐ Strongly Agree
☐ Agree
☐ Neither Agree or Disagree
☐ Disagree
☐ Strongly Disagree

5. You have an action plan in place to meet your financial goals

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

6. You currently have a long-term investment strategy.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

7. Should the need arise, you have a financial emergency plan in place.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

8. If asked today, you could identify your true income (recurring income you can count on)

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

9. If offered in the workplace, you would take advantage of employer-provided financial education workshops (focusing on basic savings, credit management, home ownership and retirement planning).

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

10. Have you ever borrowed from an employer-sponsored retirement savings plan?

- ☐ Yes
- ☐ No

If yes, please indicate reason (vehicle or home purchase, emergency, debt payoff, etc.)

11. You understand how compound interest works.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

12. You are able to read and understand mutual funds.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

13. You understand the differences in Common Mortgage Features (i.e. Interest only, ARM, Accelerated terms, FHA)

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

14. Do you know the mortgage interest rate on your home?

- ☐ Yes
- ☐ No
- ☐ I do not have a mortgage on my home
- ☐ I currently rent, lease, etc.

15. Do you know the interest rate on your vehicle(s)?

- ☐ Yes
- ☐ No
- ☐ I currently lease my vehicle (s)
- ☐ I own my vehicle (s)

16. Do you know the interest rate on your credit cards?

- ☐ Yes
- ☐ No
- ☐ I currently do not have any credit cards

17. Are you currently contributing to a retirement savings?

- ☐ Yes
- ☐ No

18. You aware of the income needed to fund a comfortable retirement for yourself.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

19. As a law enforcement officer, you believe it's possible to live debt-free.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

20. You know how to eliminate debt for good.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

21. If you were or currently are facing financial challenges, you understand available options.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

22. Your agency provides you with training and/or seminars regarding financial education.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

23. You would participate in a comprehensive financial education program regarding topics other than retirement investment.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

24. You would benefit from an ongoing program that offered continuous feedback to help you achieve financial goals.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree

25. There is a need for financial literacy training within law enforcement.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Neither Agree or Disagree
- ☐ Disagree
- ☐ Strongly Disagree