As a group, older consumers are a powerful economic force. However, large differences in spending exist within the older population when examining such characteristics as income, race, and ethnicity. These differences in spending reinforce the need for consumers to have the best information possible so they can manage their resources wisely, particularly if they have limited income. Further, spending power today does not ensure financial security tomorrow, even for those who are currently affluent.
The marketplace is more complex than it was a generation ago, and change is rapid and continuous. With technological advances, consumers have direct and immediate access to products around the globe. They have to make more decisions, but they have less time to devote to information search and comparison-shopping.

Success in the marketplace now requires unprecedented levels of sophistication and knowledge on the part of consumers. Increasingly, they must be able to differentiate among a wide range of products, services, and providers; understand key contract terms and conditions and pricing mechanisms; and make appropriate assessments concerning diversification and risk. Yet, as we have seen, levels of financial literacy and management skills are often shockingly low. Too many consumer managers are “lost.” This is especially true for those who are over age 50, black, Hispanic, or have low incomes. Further, many consumers face additional barriers in their role as shoppers and managers because of disabilities, poverty, discrimination, living alone, and language barriers.

The aversion to debt among the “greatest” generation has given way to a much more expansive use of credit among the Boomer generation. Credit can help households maximize their resources and build assets, such as through home ownership, but many consumers now keep an ongoing balance on their credit cards, and the level of debt and number of bankruptcies among older households has risen sharply. Further, the shift from non-home-secured (consumer) credit to mortgage debt heightens the danger of foreclosure and loss of the home. The concern is far from theoretical. Older borrowers are disproportionately represented in the high-cost subprime refinance market, where the incidence of predatory practices and associated foreclosures is greatest.

Increasing personal financial literacy is critical. But today’s harried consumers also need reliable aids and advice to cut through the complexity of the marketplace and lighten their decision-making burdens. As noted earlier, too often “expert” advice is often unavailable or conflicted. Legally required disclosures may not be provided at the most opportune time or are incomprehensible to many consumers. There is a significant need to upgrade and improve these important consumer aids in line with changes in the marketplace.

Further, improved consumer information and greater financial literacy are of limited assistance if consumers lack meaningful choices. Market segmentation in banking and mortgage lending has resulted in differential access to prime credit and services for many older and minority consumers. In many low-income and minority communities today, high-cost alternative financial service providers such as check cashers and subprime mortgage lenders predominate, while mainstream institutions seek more affluent customers. Low-income and minority consumers regularly buy a wide variety of goods and services. Those businesses offering affordable products that meet the specific needs of these populations have the potential to do well by doing good.
To assist consumers in meeting the challenges of a dynamic marketplace and to assure the economic security of older households in the future, AARP recommends that the nation commit itself to the following goals:

- Assist consumers in making informed choices by improving the quality of consumer information in the marketplace.
- Increase the level of consumer financial literacy, particularly among Boomers, minorities, and low-income persons.
- Increase consumer choice and financial service options for isolated communities and underserved market segments.
Recommendations

Improving the Quality of Consumer Information

Make Product Information, Labeling, and Disclosures Easier to Understand, More Accurate and Useful

- **Product and service providers and self-regulatory organizations** should develop and use common language and terms that permit consumers to comparison shop more easily, particularly with regard to product options, risks, and fees. They should also test their product information and disclosures for consumer understanding.

- **Federal and state policymakers** should focus on making required labeling and disclosures easier to understand, more comprehensive and accurate, and more useful in enabling consumers to understand risks and costs and to compare products. Uniform and appropriate disclosures should be required for similar products, regardless of the type of company offering the products (for example, mutual fund or other investment being offered by a bank, insurance company, brokerage firm, or other financial services company).

Increase the Quality and Integrity of Advice to Consumers

- **Organizations representing consumer advisors** (for example, financial planners, investment advisors, insurance agents, and securities and mortgage brokers) should set high standards for professional competence and integrity.

- **Federal and state policymakers** should reinforce such standards by requiring appropriate industry-wide compliance and enforcement, full disclosure of conflicts of interest, and the application of suitability standards for recommended products appropriate to the consumer’s financial situation.

Increase the Availability of and Access to Third-Party Products and Services Information

- **Consumer organizations, universities, and other independent organizations** should be encouraged to test and conduct research on consumer products and services.

- **Consumer organizations, foundations, universities, state and local governments** should encourage the development of local consumer information networks (such as Washington Consumers Checkbook), including Internet-based approaches that collect and disseminate price and quality information. Service quality and rating information collected by federal, state, and local agencies should be available to consumers online and in an understandable format.

- **Federal, state, and local governments** should strengthen product and consumer information efforts.

Increasing Financial Literacy

Give Increased Attention to the Financial Literacy Needs of Boomers and Older Persons

- **Federal and state financial literacy initiatives** (such as the federal Financial Literacy and Education Commission established under the Financial Literacy and Education Improvement Act of 2003) should focus increased attention on the financial literacy needs of Boomers and the older population.

- **States** should establish interagency councils to coordinate existing and future efforts to increase financial literacy. Councils should include financial service providers, consumer groups and representatives, researchers and educators (such as Cooperative Extension), and government agencies, especially those that serve older persons (Departments of Aging, for example).
Focus on Outcomes That Lead to Improved Money Management

- The private sector, foundations, federal and state governments, and others should support research aimed at improving the effectiveness of financial literacy and consumer counseling programs, particularly with regard to obtaining outcomes that lead to better money management and wealth-building behaviors.

Empower Consumers with New Tools and Technology

- Financial literacy programs should empower individual consumers by including information on obtaining and using credit reports and scores, effective comparison-shopping, the use of technology (broadband, online banking, and ATMs), and techniques for preventing financial fraud and abuse.

Increasing Consumer Choice

Increase Choices for Banking and Credit in Segmented Communities

- Insured financial institutions (banks, savings and loans, credit unions) should offer competitive basic banking products in segmented markets (for example, low-income, minority, and elderly) as an option to more costly alternative financial services.
- Lenders should establish practices and procedures to increase prime lending in segmented markets.
- Secondary market institution (such as Fannie Mae and Freddie Mac) policies should encourage and reinforce such practices and procedures.

Strengthen the Community Reinvestment Act (CRA)

- Congress should extend coverage of the Community Reinvestment Act (CRA) to include industries other than banking that offer financial products. The activities of affiliates engaged in banking, lending, and investment activities should be included under the CRA, and incentives for increasing prime lending incorporated in performance standards for such affiliates.
- Banking regulators should consider an institution’s compliance with state basic banking laws, efforts to provide accounts for the unbanked, and compliance with usury or other statutes in determining an institution’s rating under the CRA and when considering bank mergers. Assessment areas should coincide with the market for an institution’s products.

Eliminate Predatory Financial Practices

- Federal and state policymakers should protect homeowners from abusive practices and resulting foreclosures. Policymakers should require alternative financial service providers to eliminate abusive, unfair, and deceptive practices and assure adequate resources for enforcement of small-loan and other relevant statutes.