

Financial Literacy Today and Tomorrow



**NATIONAL ENDOWMENT FOR
FINANCIAL EDUCATION**

Partnering for Financial Well-Being

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Financial Education History – 2005

(unofficial)

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- ❑ Bull market
- ❑ Numerous dedicated small providers
- ❑ One size fits all
- ❑ School focus
- ❑ Lack of quality standards and evaluation
- ❑ Limited funding
- ❑ Limited research funding

Since 2005

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- National wake up call
- High profile – government
- State mandates (funding?)
- Deeper research

Since 2005 – Lessons Learned

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- Continuous process
- Life happens
- Family vs. individuals
- Link to values
- Competing voices
- Media opportunities
- Awareness of liabilities

Government

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- Financial Literacy Education Commission (FLEC, 2003)
- FDIC
 - Unbanked/underbanked research
 - Safe accounts
- Joining Forces Initiative
- President's Councils I & II (2008 & 2010)
- Consumer Financial Protection Bureau (CFPB)



The four elements of financial well-being

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

consumerfinance.gov/reports/financial-well-being

□ K-12 guide released

<http://www.consumerfinance.gov/reports/advancing-k-12-financial-education-a-guide-for-policymakers/>

President's Advisory Council on Financial Capability for Young Americans

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- Focus on young people
- Completion target: June 2015
- Financial Empowerment Innovation Fund
 - \$6 million – 11 winners announced
- National voice

President's Advisory Council on Financial Capability for Young Americans Committees

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- **Financial education for children**, building the groundwork of financial knowledge
- **Preparing young people to make decisions about post-secondary education** that prepare them for financial independence
- **Leveraging cities and communities** for financial capability leadership
- **Encouraging innovation and technology** to promote financial capability products and tools for young people

Possible K-12 Highlights

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- Aspirational statement
- Resource examples
 - School based
 - Community based
 - Project based
 - Technology/innovation
 - Government programs
- Assessment guidelines

Five Key Factors for Effective Financial Education

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- Well-trained educator (and/or tested e-learning protocol) to facilitate learning
- Vetted/evaluated program materials
- Timely instruction
- Relevant subject matter
- Evidence of impact (evaluate impact)

PISA

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- The Program for International Student Assessment (PISA) study of financial literacy of 15 year olds globally released July 2014
- The U.S. ranked 9th of 18 overall – “painfully average”
- More than 1 in 6 students in the U.S. – 17.8% compared with 15.3% across OECD countries – does not reach the baseline of proficiency in financial literacy
- About 1 in 10 U.S. students is a top performer (9.4% v. 9.7% across OECD countries)

PISA Takeaways

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- Financial literacy is strongly correlated with mathematics and reading performance
- Improving the financial capability of our youth should be a national priority – we need to step up our game
- We should agree on what our 15 year olds should know to be competitive globally
- The PISA study will be repeated in 2015 giving us an opportunity to measure improvement

What We Know

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- National Study on Teachers' Capacity to Teach Personal Finance (University of Wisconsin, 2010)
 - *Teachers are not prepared*

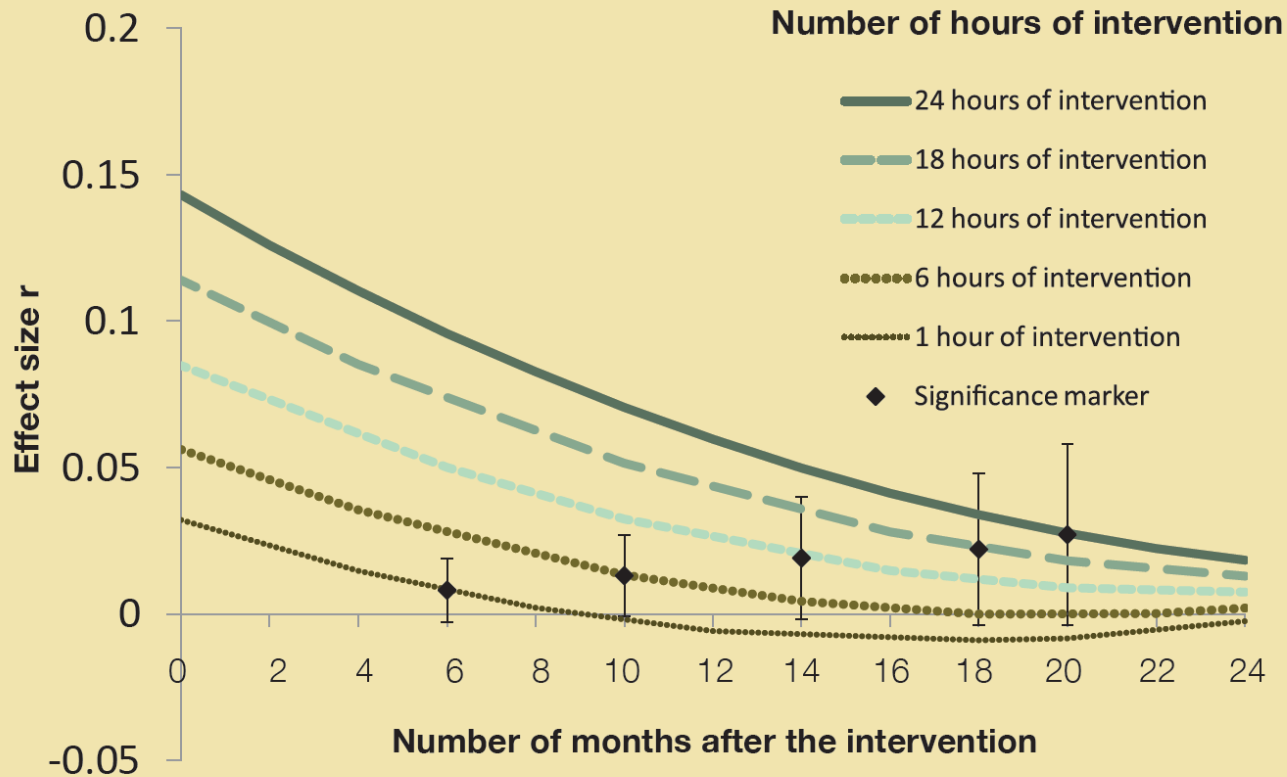
- Arizona Pathways to Life Success for University Students (University of Arizona, 2009)
 - *Parents, a financial education course, and a prior job are positive influencers*

- Meta Analysis on the Effect of Financial Literacy and Financial Education (University of Colorado-Boulder, 2014)
 - *Need for frequent and timely information*

Examining Financial Education: How Literacy and Interventions Affect Financial Behaviors

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The Case for Timely Financial Education



FINRA Foundation Funded Research

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- State Financial Education Mandates: It's all in the Implementation
- Prepared by:
 - Carly Urban, Ph.D., Montana State University
 - Maximillian Schmeiser, Ph.D., Federal Reserve Board
 - J. Michael Collins, Ph.D., Center for Financial Security, University of Wisconsin-Madison
 - Alexandra Brown, Federal Reserve Board
- Released January 2015
- <http://www.finrafoundation.org>

FINRA (continued)

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- Studies effects of state mandates in Georgia, Texas and Idaho on credit scores and credit delinquencies for young adults
 - Used control group states
 - Three years after implementation
 - Credit scores improved by 11 points in Georgia, 16 points in Idaho and 32 points in Texas
 - Delinquency rate showed noticeable decreases in all three states with Texas showing a six percentage point drop, which translates to a relative decrease in delinquency of 33%

- A collaborative effort to help organizations provide comprehensive, standardized teacher training
- Delivers a training model focused on improving the teacher's own level of financial literacy
- Qualified users are granted a free license to use the model
- Research demonstrates its effectiveness

New Resources for Teachers

- National teacher resource center announced during President's Council meeting on March 3
 - An online resource for teachers to build a course plan based on the class time available, content areas to be covered, and class make up/level
 - Program content initially provided by University of Arizona Take Charge Today program and NEFE. Other providers will be added over time
 - Hosted at the University of Arizona with initial funding from NEFE
 - Allows teachers to mix and match resources
 - “Shopping cart” technology
 - Available the summer of 2015

On Your Own

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- Bi-monthly blog launched in 2013
- Identified gap – before you have money
- Bridge to financial independence – higher ed or not
- Not just success stories – mistakes happen
- Teachable moments around first-time financial decisions
- Real stories bring classroom lessons to life
- Complements CashCourse
- www.OnYourOwn.org

Financial Identity Quiz

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- Research based – launched in April 2015
- Conversation starter for students and parents
- Springboard to self reflection, goal setting
- Financial identity is not fixed – growth oriented
- www.FinancialIdentityQuiz.org

California Community College Initiative

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- The Chancellor's Office for the California Community College System is embedding NEFE's CashCourse program in all 113 campuses, reaching 2.1 million students
- Part of a national rollout of CashCourse, which is now available in almost 900 colleges and universities nationally
- This is the first system-wide adoption of a financial education initiative
- Community colleges are also a highlighted area by the President's Council

Watch For

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□ Research

■ Cognitive Decline

- Cognitive Capabilities, Decision-making Ability, And Financial Outcomes Across the Lifespan (Columbia University)
- Early Warning Signs of Impaired Financial Skills in Older Adults (University of Alabama, Birmingham)

■ Emerging Households

- Arizona Pathways to Life Success for University Students (APLUS): Transitioning to Adulthood in Rough Economic Terrain (University of Arizona) (2014)
- Financial Capability Among Young Adults (George Washington University)
- Financial Behavior, Debt, and Early Life Transitions: Insights from the National Longitudinal Survey of Youth, 1997 (The Ohio State University)

■ Latino

- The Significance of Gender for Savings and Retirement in Latino Communities (University of Notre Dame du Lac)

■ Youth

- Building Financial Self-Efficacy in Low Income Young Children (University of Kansas)

■ Other

- Untangling the Determinants of Retirement Savings Balances (The New School)

Wish List

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- National teacher resource center
- Teacher training
- Evaluation/quality standards
- Shared data on program outcomes
- Resource awareness
- Best practice/continuous improvement
- National priority
- Talk to your kids about money