Financial Education: Challenges and Opportunities

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Challenges
Different Names – Different focus

• Program names
  – Personal financial education, money management, economic education, financial literacy, consumer economics, consumer sciences, financial fitness for life,

• Providers
  – NICE, NCEE, NEFE
  – Visa, Wells Fargo, CITI
  – Extension
  – Junior Achievement
  – United Way
Many Differences-Same Name (FL)

• Goals: knowledge, skill, competency
• Content: one topic, multiple topics
• Level: basic, advance
• Teacher background: qualifications, experience, certification
• Approach to delivery
• Approach to assessment of outcome
## Financial Literacy Content

<table>
<thead>
<tr>
<th>Basic</th>
<th>Medium</th>
<th>Advance</th>
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</thead>
<tbody>
<tr>
<td>Cash flow management</td>
<td>Financial risks</td>
<td>Investment products</td>
</tr>
<tr>
<td>Building emergency fund</td>
<td>Risk management</td>
<td>Investment Risk mgt</td>
</tr>
<tr>
<td>Banking</td>
<td>Buying insurance</td>
<td>Understanding Benefits</td>
</tr>
<tr>
<td>Credit card mgt</td>
<td>Car, home, health, liability</td>
<td>Retirement planning</td>
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<tr>
<td>Other loans</td>
<td>Life insurance</td>
<td>Estate planning</td>
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<tr>
<td>Credit rating</td>
<td>Investment risks</td>
<td></td>
</tr>
<tr>
<td>Saving</td>
<td>Basic principles of investing</td>
<td></td>
</tr>
<tr>
<td>Identity theft</td>
<td>Risks return relationship</td>
<td></td>
</tr>
</tbody>
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Does Financial Education Work?

Financial knowledge

Financial practices

Financial wellbeing
Other Challenges

- Lack of national standards for contents informed by pedagogy & research for delivery and evaluation
- Voluntary nature of the financial education
- Lack of serious commitment by school boards and management
- Lack of time and resources assigned to FLE
- Lack of support for workplace education
To be successful: Fin Edu Should

- Start early and continue throughout life
- Be offered at all levels of schooling and into adulthood
- Progress from basic to advance levels
- Take into account language, culture, age, experiences
- Have clear goals, defined outcomes (knowledge, skills, behavior change)
- Involve assessment of long term impact on behavior change
- Have ommon understandings and standards for courses, programs, and teachers
National Scene
Some Important Players

• The Department of Treasury
• Office of Financial Education
  – Financial Literacy commission (20 Fed. Agencies)
  – National Financial Education Network (30 state agencies, 5 local government agencies, 15 national organizations) www.flecnationalnewtwork.org
  – President’s Advisory Council on Financial Literacy (2008)
• Federal Reserve Bank System
• Cooperative Extension System
Iowa State University
President’s Advisory Council on Financial Literacy
Council’s Charge

- Improve financial education efforts for **youth** in school and for **adults** in the workplace;
- Promote effective **access to financial services**, especially for those without access to such services;
- Establish **effective measures** of national financial literacy
- Conduct **research on financial knowledge**, including the collection of data on the extent of financial knowledge of individuals
- **Strengthen and coordinate** public and private sector financial education programs
Council’s Two Major Projects

• **Money Math Curriculum**
  This initiative was developed with cooperation of the Treasury, Citi, Jump$tart and the Bureau of Public Debt. The curriculum is available at mymoney.gov and the Council’s web page. (http://www.treasury.gov/press/releases/hp843.htm)

• **National Financial Literacy Challenge**
  75,000 students participated in fall 2008 National Financial Literacy Challenge; 35 item test was taken on line; 22 students received 100% score. Each was awarded $1,000 scholarship by Charles Schwab Foundation; their schools also received a $1,000 award to support the program.
Council’s Recommendations

• Schools should be **required** to teach financial education from kindergarten through 12th grade

• College students should be required to take a course in financial literacy in order to receive **federal student loans**

• Financial institutions should be required to provide every adult American with **access** to a debit-card-accessible bank account

• Establish an annual “**Workplace Financial Literacy Honor Roll**”; explore tax incentives for employers

• Develop and launch a federal government public service communications campaign

• Create an Internet-based **national resource center**
More Recommendations

• The United States Department of the Treasury should identify and standardize the specific skills that a person should have upon completion of a comprehensive financial literacy program, explore the creation of an accreditation for such programs and certification for instructors of programs that meet the criteria.

• The private sector, state and local governments, and nonprofits should adopt the Council’s definitions for “financial literacy” and “financial education,” so that programmatic decisions are based on a common understanding of the terms.
Definitions

- **Financial Literacy**: “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being” (Jump$tart Coalition, 2007).

- **Financial Education**: “the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being” (Organization for Economic Co-operation and Development, 2005)
PACFL 2008 Annual Report


(Chapter V, pp 25-26 and 35-37)
Financial Education & Federal Reserve System

“The Federal Reserve System has a long-standing commitment to promoting financial literacy, and we devote considerable resources to helping consumers educate themselves about their financial options. Consumers who know what questions to ask are considerably better able to find the financial products and services that are right for them.”

_Federal Reserve Chairman Ben S. Bernanke. April 17, 2009_
Financial Education & FR Bank System

1. Curriculum Development for classroom
2. Development of other educational materials
3. Partnership with other organizations
4. Coordination of community resources
5. Evaluation of Educational Programs
Opportunities
S 638, *Fin & Eco Literacy Imp Act of 2009*

- To direct the Secretary of Education to award **formula matching grants** to states or partnerships between states & non profits for teacher training
- To develop financial and economic **literacy standards**; create teacher training programs and; evaluate the impact such education has on students' financial and economic literacy.
- To maintain a Financial Literacy Education **Clearinghouse of best practices**, tools, and instructional materials
- Award **competitive grants** to IHEs or partnership between IHEs & non profits
Treasury Grant Program for Financial Education and Counseling due Nov. 19

Through a new Financial Education and Counseling Pilot Program, the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund is making available grants for entities that provide a range of financial education and counseling services to prospective homebuyers

• Increase fin. Knowledge; build personal savings; reduce debt; improve credit score
We Have the Opportunity To

- Agree on core competencies that every young person needs to know (it's in the works)
- Place educational resources with proven results in the hands of teachers
- Explore what is necessary to create a consistent, sustainable, financial literacy infrastructure
- Adapt clear financial education standards and benchmarks to measure impact of financial education
- Conduct research to measure the long term impact of financial education on participants’ behavior change
An other call to action

In President Obama’s remarks on financial rescue and reform delivered in September in New York City, the President called on the financial sector for:

a) “To come up with creative approaches to improve financial education and b) to bring banking to those who live and work entirely outside the banking system.”

9.14.09

Financial rescue and reform
Federal hall New York
National Resources

- FinancialLiteracyCouncil@do.treas.gov
- www.csrees.usda.gov/financialsecurity
- www.extension.org/personal_finance
- www.nefe.org
- www.Mymoney.gov
- www.ftc.gov/Moneymatters
- www.controlyourcredit.gov
- (www.fefe.arizona.edu)
- http://gearup-moneyskills.org/HighSchool/
- Money & the meaning of life by Needleman, 1991
- Common Characteristics of Millionaires by Stanley & Danko, 1996
Thanks for the Opportunity!

YOUR QUESTIONS
COMMENTS, OR SUGGESTIONS