A Future You Can Bank On

Increasing Financial Awareness for the Next Generation

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Abstract

Based on facts and statistics, it is well known that a large majority of Americans are in debt and/or have difficulty in managing finances. Financial literacy for young people is about providing tools and means to youth so in the future this gap is closed or even eliminated.

This paper covers the importance of providing financial literacy tools for youth and the potential impact that can produce in their lives and overall community.

In addition, leveraging an approach of *Fresh Minds and Bright Ideas*, proposals are given on how to teach financial literacy and how to develop an inner desire to learn about this important topic.

Introduction

As we continue to develop during the 21st century, the United States—and indeed, globally—society faces challenges, rapidly rising fuel and food prices, a mortgage foreclosure crisis, increased bankruptcy filings, credit tightening, and a drastic decline in savings. The effects of these financial stressors for individuals, families, and communities have been widely reported through the media. These media reports discuss challenges and potential remedies for adults struggling with high rates of indebtedness, diminished incomes, negligible savings, and a financial services marketplace replete with complicated product offerings. These reports also examine the implications of severe economic strain for children. However, strategies for educating children and youth to be effective managers of money and successful navigators of a complex financial marketplace have not yet emerged from the dialogue and debate.

Although some effective strategies have emerged for adult financial education, these strategies and approaches cannot simply be remodeled to more age-appropriate versions and imposed on a K–12 educational system. Adult financial education is largely a remedy imposed to fix specific critical breakdowns in how adults use (or misuse) money; it tends to be designed and delivered to target demographic groups and is frequently, though not always, intended to compensate for already-existing financial ordeals. Childhood financial education needs to be prescriptive, preventative, developmental, and delivered on a massive scale.

Why is it necessary to bring financial education to children and youth?

In addition to the struggles their families face, which are likely to persist into their own adulthood, advertising heavily targets and influences children. Children especially become massive consumers who are not only easily influenced, but may still struggle to understand the differences between wants and needs. Moreover, children, especially the majority who do not go directly on to post-secondary education, are quickly faced with adult financial tasks and responsibilities.

To better understand the long-term impact of youth financial education, the *FPP Student Think Tank Bright Minds, Fresh Ideas* began researching, in order to discuss and promote the effectiveness of financial education for youth.

Purpose and Methodology

This paper, through a review of the literature, explores the current state of youth financial education and policy, including the definitions and measures of effectiveness of youth financial education that may exist within Florida. This paper delineates a range of approaches to the delivery and assessment of youth financial education, reports on impact data and promising practices, and discusses some controversies in the field of youth financial education. The paper concludes by highlighting suggestions for further improvements.

Literature Review

Although there is no one single, agreed-upon definition for *financial literacy, financial education,* or *financial capability*, scholars offer insight about the different meanings of these terms. *Literacy* is the possession of basic knowledge or competence, and *education* is the means to build that capacity. Most financial education programs attempt to bring all participants to acquire basic knowledge of money management skills regarding savings, finance, banking, credit, and more; many attempt to accommodate individual or familial/household goals. The term *financial capability* is intended to include the concept of education, as well as provide access to financial services and institutions, arguing that knowledge alone will not allow people to be financially stable.

When it comes to financial education, consistent themes run through various definitions of it, including:

- Being knowledgeable on the issues of managing money and assets, banking, investments, credit, insurance, and taxes
- Understanding the basic concepts related to the management of money and assets
- Using and understanding how to plan, implement, and evaluate financial decisions

Several researchers have specifically examined financial literacy in a youth context. According to the Department of Agriculture's Cooperative State Research, Education, and Extension Service (CSREES), *"many young people are unskilled in managing their personal finances, yet this crucial life skill will greatly affect their future economic well-being. . . . [Youth financial education] help[s] America's youth understand the basics of money management and develop sound financial habits to expand their opportunities for the rest of their lives."* (United States Department of Agriculture, 2007, ¶ 1).

There are growing interests in approaches to financial literacy that are subtly required, at the very least by making financially beneficial selections the default option, requiring consumers to choose actively against their long term financial self-interest in order to opt out. A major example of this would be the decision to participate in retirement programs such as voluntary 401(k) contributions in the workplace. Many financial professionals suggest the default should be an automatic opt in, with an employee having to deliberately select themselves out.

Effectiveness of Financial Education

Currently, there are no clearly defined or widely accepted standards of excellence for financial education effectiveness, and certainly none specifically to youth financial education. The U.S. Treasury Department's Office of Financial Education offers eight elements of a successful financial education program, 5 relating to the program's content, delivery, impact, and sustainability. The primary purpose of these elements is to offer guidance to financial education toward organizations as programs and strategies develop to achieve the greatest impact within communities.

There are arguments confronting financial education programs starting with a participant-defined goal (e.g., becoming a homeowner, reducing debt, or saving for retirement). However, K–12 education is unlikely to be predicated upon individually determined financial goals. Most of what is known about program effectiveness has been built on an adult program model, and the bottom line of most studies is that there is not likely to be a single style of financial education program for consumers. It is also important to note the impact of demographic descriptors such as gender, employment status, ethnicity, family background, educational level, and other social markers on improvements in financial knowledge, satisfaction, or confidence—which, again, are the three measures that have most often been evaluated.

Hathaway and Khatiwada (2008) in their Federal Reserve Bank of Cleveland working paper *"Do Financial Education Programs Work?"* arrived at research-based conclusions about both effective program design and the validity of evaluative measures that echo what so many scholars conclude regarding adult financial education. They found that the best program design advice is to target specific audiences and areas of financial activity (such as credit or retirement planning), and to offer training on a just-in-time approach. However, there is no clear evidence as to how effective they truly are.

Attempts in Florida

Financial Programs

While it is not within K-12, there have been other attempts in financial education. Florida Literacy Coalition and Wells Fargo have promoted the use of financial literacy programs, (e.g. Flagler County Schools Family Literacy Program, El Sol Jupiter's Neighborhood Resource Center, etc.) that attempt to improve upon both adults and adolescents within finances. As a matter of fact, several such programs had even earned $5000 grants, gaining 1,800 students to participate and be served in this grant.

Moreover, 15 colleges in Florida also provide programs to learn financial literacy. Top 5 colleges were considered to be:

1. University of Florida
2. University of Miami
3. Stetson University
4. University of Central Florida
5. Florida International University

The colleges also provide Finance & Financial majors and degrees in order to promote its importance, along with providing this education to all ages, supporting veterans as well.

Financial Literacy Bill

In 2015, the financial literacy bill had been created in order to teach finances within K-12 schools. This bill has been supported by many, with Dorothy Hukill, a Florida Senate member, taking a lead role in its' importance and development. The bill required the following:

- Amends §1003.4282
- Revises the required credits for a standard high school diploma to include one-half credit of instruction in personal financial literacy and money management
- Seven and one-half, rather than eight, credits in electives.

Unfortunately, it has failed to pass within recent years, being the closest it has ever gotten in 2018. At the time, it had achieved passing committee, reaching both the Senate and House of Representatives. Both reached unanimous decisions that it should be accepted, but in different aspects as represented in figure 1 & 2 below

House of Representative

A bill to be entitled

An act relating to the Appropriations Project titled United Way of Florida - Financial Literacy and Prosperity Program; providing an appropriation; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. United Way of Florida - Financial Literacy and Prosperity Program is an Appropriations Project as defined in The Rules of The Florida House of Representatives and is described in Appropriations Project Request 142, herein incorporated by reference.

Section 2. For fiscal year 2017-2018 the nonrecurring sum of $1,200,000 from the General Revenue Fund is appropriated to the Department of Economic Opportunity to fund the United Way of Florida - Financial Literacy and Prosperity Program as described in Appropriations Project Request 142. Notwithstanding any law to the contrary, there shall be no recurring funding provided for this Appropriations Project.

Section 3. This act shall take effect July 1, 2017.

Senate

(d) *Three credits in social studies.*—Beginning with students entering grade 9 in the 2017-2018 school year, a student must earn one credit in United States History,~~;~~ one credit in World History,~~;~~ one-half credit in economics, ~~which must include financial literacy;~~ and one-half credit in United States Government. The United States History EOC assessment constitutes 30 percent of the student's final course grade.

(g) *Seven and one-half* ~~*Eight*~~ *credits in electives.*—Beginning with students entering grade 9 in the 2017-2018 school year, each school district shall ~~School districts must~~ develop and offer coordinated electives so that a student may develop knowledge and skills in his or her area of interest, such as electives with a STEM or liberal arts focus. Such electives must include opportunities for students to earn college credit, including industry-certified career education programs or series of career-themed courses that result in industry certification or articulate into the award of college credit, or career education courses for which there is a statewide or local

The occurrence resulted in the bill being returned to committee, and later dying there again. This resulted in many believing that education simply isn't a priority in our state government.

Florida

GRADE D

- Includes personal finance topics in the state's K-12 instructional guidelines and requires local school districts to implement these standards. (Source: CEE Survey)
- No personal finance requirement, although personal finance may be taught at certain schools as an elective. (Source: Jump$tart Survey)
- A financial literacy council has been created to make recommendations on how to increase the personal finance knowledge of the state's citizens. (Source: NCSL Summaries)

Early Education

In the 2006 policy brief, *The Importance of Financial Education*, by the OECD (Organization for Economic Cooperation and Development), the OECD's "Recommendations on Principles and Good Practices for Financial Education and Awareness" include that financial education should start at school and should be clearly distinguished from commercial advice.

Children throughout the K–12 grades, including children who differ in ability levels and socioeconomic backgrounds, can learn worthwhile content in personal finance if their teachers use appropriate financial counseling, as well as strategies and materials. Children's understanding of economics and personal finance develops through a series of levels or stages. Nothing about the subject matter makes personal finance inappropriate for study by children in the early grades. Postponing the study of personal finance is unwise for other reasons. First, children certainly acquire some ideas and information about personal finance information from non-school sources (e.g. family, friends, and religion). Some of what children acquire in this way will be incorrect or misleading. The longer we wait to provide personal finance education, the more time teachers will spend correcting misinformation. Second, many students may decide to drop out of school before their senior year. If personal finance education is postponed until the senior year, these students—those who may be most in need of personal finance education—are deprived of receiving any.

Youth Program Design: Tips for Effectiveness

Suggestions for making personal finance education effective for youth include incorporating a relevant program design, ensuring effective motivation, and providing education at an early age.

Relevant Program Design

Most of the design recommendations for adult financial education cannot realistically transfer to the K–12 classroom, where standard educational practice demands that curriculum design be generic and transferable to multiple audiences, anticipatory, and developmental, rather than event specific or just-in-time. Lucey (2007) offered a strongly dissenting perspective: K–12 financial education design must be customized. He argues that financial education does not meet the needs of all children, because they do not account for different learning styles or strategies.

The current educational literature, teaching aids, and school curricula for the elementary school age group appear to be variations of the same theme of teaching kids only through the use of piggy bank savings and basic math fundamentals. Understanding the relationship of work, currency, ATM machines, investments, credit cards and tangible product acquisition, bill payment mechanisms, monthly statements, retirement savings, taxes, deficits, et al., is a more fundamental and current foundation for financial education in our modern age.

Effective Motivation

In terms of general findings on the effectiveness of financial education offerings, successive iterations of the Jump$tart financial literacy surveys of high school seniors (a total of six surveys in all) indicate a failure to show improvements in their levels of financial literacy knowledge. The 2006 survey introduced questions to determine the relevance to these students of basic concepts of personal finance, based on the hypothesis “low financial literacy scores among young adults that had been tested, even after they have taken a course in personal finance, is related to lack of motivation to learn or retain these skills.”

While surveys reveal that students do perceive that financial difficulties can be affected by their own actions, survey questions show significant evidence that students experience apathy in terms of managing and setting goals for their own personal finances. This lack of motivation correlates with students’ consistently low financial literacy scores and reveals that programs addressed to these students need to teach why financial literacy is important.

Bright Minds Proposals

Promising Practices in Youth Financial Education

There are some factors that support promising practices for financial education. These factors include the timing of financial education, teacher training, the incorporation of saving tools that make the education relevant, and evaluation and assessment.

Timing of Financial Education

1. The NASBE Commission (2006) argued that the earlier a student learns these concepts, the more opportunities schools will have to impact behavior. Therefore, states should consider financial and investor education throughout the K–12 curriculum.

2. The poor performance over time of high school students on personal financial knowledge tests, as indicated by the Jump$tart surveys, suggests that the current model of waiting until high school to introduce personal money management concepts is too late; the model needs to be backed up into the earlier grades, supporting the idea that the earlier one learns, the better.

3. It is widely recognized that literacy, as the foundation for virtually all other subject areas, needs to be taught from the very earliest ages; this focus on early childhood literacy is known as emergent literacy. A Networks Financial Institute report (2006) contended that the core concepts that highlight financial literacy also need to be emphasized and supported from the very earliest grades.

Teacher Training and Professional Development

1. Baron-Donovan, Wiener, Gross & Block-Lieb (2005) provided insight on the topic of teacher training as a component of successful delivery of financial education, based on a Coalition for Consumer Bankruptcy Education with multiple measures (focus groups, pre- and posttest knowledge and attitude surveys, and classroom observations). This study was done to demonstrate whether individuals from diverse backgrounds are prepared to teach basic financial literacy and used both focus groups and a pre- and post-training survey to identify changes in teacher satisfaction, confidence, and motivation. Survey showed an average pre-training knowledge score of 81% and a post-training knowledge score of 90%. The researchers found that desired changes on the survey items indicate that teachers not only gained an understanding of what they needed to teach, but also gained the confidence to teach what many considered to be complex material. These results also suggest that well-designed teacher training can influence teachers to have positive self-esteem. Trained teachers have reported that they are satisfied and generally feel prepared to teach. Self-reports are reinforced with measured gains in financial knowledge and more confident attitudes about teaching.

2. Loibl (2008) has also addressed the teacher confidence issue for high school financial education programs in Ohio, identifying:
   a. academic content area concerns, that is, teacher confidence in the larger disciplines within which the topic of financial education is often addressed (math, social studies, economics, family and consumer science, and business education)
   b. Teacher strategies in gathering personal finance information
   c. Teacher knowledge about personal finance. Loibl's survey included a short quiz on financial knowledge with which teachers from almost all disciplines struggled, indicating a need for training of financial education instructors

Incorporate Savings Tools to Make Education Relevant

Three policy documents from the New America Foundation reinforced best practices for youth financial education. Their suggestions included the establishment of savings and investments accounts at birth (that can be tracked by the children in their school-based financial education programs) and school-based delivery of financial education that is active.

Promoting Use of Financial Literacy Bill

Despite the multiple accounts of failure, it should still be considered an important opportunity for a new law to be established. If the bill is able to turn into a law, students we be able to obtain higher knowledge and capabilities in money management

Edutainment

Edutainment is the peculiar way of presenting learning in an entertaining style. Teaching young students is more challenging than giving education to a college grade student. Their way of interpreting things and understanding should be moulded right from the initial classes. And it is highly important to build a taste or interest for learning among children.

Create Clubs for Financial Education

In a club, skills are not only able to begin developing, but create something new. In other words, people can understand their capabilities now, but can greatly improve from it as well. This can even go as far as learning how to do it differently, or even better. It can even cause interest in the fields and jobs in which people would hold interest.

Competition

Being able to use commonly available technology in everyday life is an important skill. Competitions can force students to deal with fundamental human values, using modern technology. It also has the potential to help develop understanding of businesses and how to manage in a system.

Generational mentoring networking/Volunteer Income Tax Assistance

Concept of general mentoring network is to connect different generations. The first is the people that have been just moved into retirement with 2-3 mentees within middle school/ high school to help them on financial literacy. The overall arching umbrella is generational knowledge transfer through networking.

Final Remarks

Financial Literacy is a skill that needs to be mastered over a lifetime. It is a very sound approach to start at a very early age. This is the main reason why financial literacy for young children and youth is so important.
We firmly believe that implementing some, if not all, proposals of this paper will yield strong results within the next decades.

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