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Financial Literacy Education

Financial literacy is quickly becoming an essential tool necessary for students to compete in today's financially centered world. Students in some places can still leave high school without a basic knowledge of how to balance a checkbook and basic principles surrounding personal savings, earnings, and spending. Due to trends such as companies moving away from pension plans and uncertainty with the future of social security, an increasing number of students will be responsible for their own financial well being in the future, a feat most students are unprepared to take on.[1] Given this knowledge, many people nationwide are advocating for a solution to this growing problem.

The findings of a 2003-2004 study of the National Endowment for Financial Education High School Financial Planning Program and United States Department of Agriculture Cooperative State Research, Education, and Extension Service conducted by two University of Minnesota professors seem to support the push for increased financial literacy education.[2] The research showed that as few as ten hours of classroom instruction in this area could provide enough substantial knowledge to affect how teens handle their money.[3] In addition to increasing teenage understanding of financial management, this instruction could also improve teen's actual financial behavior in a matter of months.

A 2006 survey conducted by Capital One Financial found that 49% of teens wanted to know more about managing money, yet only 14% had taken a class examining the issue.[4] The overall message of these findings has caused states around the country to implement various forms of financial literacy education programs into their curriculums. According to the JumpStart Coalition for Personal Finance Literacy, "Today, hundreds of organizations promote financial literacy, members of Congress introduce bills supporting it, a Federal commission promotes it, many states have passed initiatives and serious scholarly work is being published."[5]

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[1] Hagenbaugh, Barbara, "U.S. teenagers lack financial literacy," *USA Today* April 5, 2006 http://www.usatoday.com/money/economy/2006-04-05-literatcy_x.htm visited 3/3/08

[2] Sharon M. Danes and Heather R. Haberman, "Teen Financial Knowledge, Self-Efficacy, and Behavior: A Gendered View," *Financial Counseling and Planning,* Volume 18, Issue 2 2007, http://www.afcpe.org/doc/7%202866%20Volume%2018%20Issue%202.pdf, visited 3/21/08.

[3] United States Department of Agriculture Cooperative State Research, Education, and Extension Service, "Teens Respond Well to Financial Education, Study Shows: Financial Knowledge and Behavior Improve Immediately—and Are Retained," July 18, 2007 http://www.csrees.usda.gov/nea/economics/sri/security_sri_neferelease.html visited 3/3/08

[4] Business Network, "Capital One's Annual Back To School Survey Finds Teens Eager To Learn about Money, But Parents Continue To Overlook Important Learning Opportunities; Back to school shopping provides parents with chance to teach pratical money skills," July 17, 2006 http://findarticles.com/p/articles/mi_m0EIN/is_2006_July_17/ai_n16535413 visited 2/27/08

[5] Jump$tart Coalition for Personal Finance Literacy, "Financial Literacy: Improving Education 2006 National Jump$tart Coalition Survey," http://www.jumpstart.org/fileindex.cfm visited 2/27/08

State Initiatives

Many states across the country are introducing measures of financial literacy education. The National Council on Economic Education (NCEE) in their *Survey of the States* identified seventeen states that require an economics course to be offered in high school. With respect to personal finance, the NCEE found that thirty-eight states reported having nominal personal finance standards for high school students, nine of which require testing in personal finance. Nine states include personal finance as part of their graduation requirements: Alabama, Georgia, Idaho, Illinois, Kentucky, Louisiana, New York, Texas, and Utah.

The National Conference of State Legislatures (NCSL) provides data on financial literacy legislation broken down by year on their web site. [6] We took the data for the years 2005-2007 to get a sample of the progress as of late. The results range from the implementation of actual requirements to the creation of groups to study the problem and provide possible solutions to legislators. In Table 1, the various states are broken down by progress to get a better sense of the nationwide picture in these years.

Table 1: State Financial Literacy Legislation from 2005-2007: Grouped by Progress

States that incorporated a requirement into their curriculum	States that implemented the program on a trial basis	States that have suggested implementing the program into their curriculum's	States that have created groups to study the issue of financial literacy education
Illinois	New Jersey	California	Oregon
Indiana		Hawaii	Rhode Island
New Hampshire		Idaho	
Oklahoma		Maryland	
Maine		New Mexico	
		Virginia	
		South Carolina	

Source: National Conference of State Legislatures (NCSL), "Financial Literacy Introduction" http://www.ncsl.org/programs/banking/FinLiteracy_Introduction.htm Visited 02/06/2008

Requirements Implemented

Four states passed laws between 2005 and 2007 requiring their high schools to add financial literacy education into the curriculum. A summary of these can be found in Table 2. In Illinois, public school students are now required to learn and develop a basic knowledge of financial literacy.[7] This knowledge must also touch on several specific topics, including: installment purchasing, budgeting, savings and investing, banking, simple contracts, state and federal income taxes, personal insurance policies, and price comparisons. Illinois not only implemented this requirement, they also created a fund in the Illinois state treasury to aid in the funding of these financial literacy programs. One example of the state offerings is

[6] NCSL, "Financial Literacy Introduction"
[7] Illinois General Assembly, "Public Act 094-0929" http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=094-0929 visited 02/06/2008

the Bank at School program, which is voluntarily offered by the State Treasurers office.[8] The program was developed for fifth and sixth grade students and serves to meet the state learning standards for those grades. It teaches children about finances by having the school partner with a financial institution where children can start savings accounts. Students will meet with their respective financial partner through classroom visits and the teachers will take part in the project by providing regular classroom instruction and activities dealing with a range of financial management topics.

Table 2: Summary of State Requirements

STATE	SCHOOL TYPE	GRADES	TOPICS COVERED:						TESTING REQUIRED?
			Savings &	Taxes	Balancing a	Debt	Purchasing	Insurance	
Illinois	Public	9-12	X	X			X	X	No
Indiana	Public and Nonpublic	9-12	X		X				Graduation Requirement
New Hampshire	Public	3-8 & Once 9-12	X		X	X	X	X	Yes
Oklahoma	Public	7-12	X	X	X	X		X	No

In Indiana, all schools (public and nonpublic) are now required to provide personal finance instruction to students in grades nine through twelve.[9] This can be done either through a curriculum requirement or a seminar, but either way no student can graduate from high school without first receiving financial literacy education.

In New Hampshire, the subjects of civics and economics have been added to the state's assessment system.[10] This statewide testing is required in grades three through eight and then one grade in high school. This law only applies to public school students, as nonpublic schools are not required to adopt the states' assessment program. *Foundations of Work and Family*, a middle school program, and *Adult Roles and Responsibilities*, a high school program, are both offered through the Family and Consumer Sciences Education division of the New Hampshire Department of Education and each includes a section on responsible personal financial management.[11]

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[8] Illinois State Treasurer, "Bank At School" http://www.treasurer.il.gov/programs/financial-education/bank-at-school.aspx visited 02/06/2008
[9] Indiana House Bill No. 1519 http://www.in.gov/legislative/bills/2007/IN/IN1519.1.html visited 02/06/2008
[10] New Hampshire House Bill 167 http://gencourt.state.nh.us/legislation/2007/HB0167.html visited 02/06/2008
[11] New Hampshire Department of Education, "Get the FACS through Family and Consumer Sciences Education" http://www.ed.state.nh.us/education/doe/organization/adultlearning/Career%20Development/FCS.htm visited 02/06/2008

In Oklahoma, the Passport to Financial Literacy Act made students in grades seven through twelve responsible for completing a program on financial literacy beginning in the 2008-2009 school year.[12] This program must include an understanding of the following elements: interest, insurance, credit card debt, the financial impact and consequences of gambling, state and federal taxes, online commerce, rights and responsibilities of renting or buying a home, savings and investing, planning for retirement, bankruptcy, banking and financial services, balancing a checkbook, understanding all loans (including predatory lending and payday) and borrowing money, identity fraud and theft, charitable giving, and earning an income.

A requirement has also been introduced in Maine requiring the state treasurer to organize a training seminar for teachers from kindergarten to grade 12.[13] The seminar will focus on how to teach students of different ages successful financial literacy skills. In addition to this, the Maine learning standards have been altered to include a requirement for personal and consumer economics.[14] The standard runs from kindergarten to grade 12 with different standards for each grade level, ending with the student being able to conduct a cost benefit analysis of a decision, understand and evaluate different forms of savings, and understand the importance of building credit and the negative impact of poor credit.

Trial Program

In New Jersey, a trial version of the above programs has been implemented by the state legislature.[15] The program is a three-year pilot, taking place in six districts across the state. It is designed to test the success of programs in the areas of budgeting, savings and investment, credit card debt, and other issues in personal financial responsibility. Following the three-year trial period, the Commissioner of Education is required to create a summary, which will be presented to both the Governor and the legislature. In that summary, the Commissioner will make a recommendation concerning the possibility of implementing the program statewide. The trial program is made possible by a grant from the Commissioner and designed through a curriculum also provided by the Commissioner.

Suggested Curriculum Additions

Between 2005 and 2007 seven states have begun moving in the direction of more establishing financial literacy programs. In these states laws have been passed either suggesting that school boards adopt financial literacy programs into their curriculum, providing optional grants for school boards to implement financial literacy programs in their schools, or requiring that the subject be offered an as optional topic or elective.

In Hawaii, Idaho, Maryland, and Iowa the state legislatures have made recommendations to their respective school boards urging them to add financial literacy into their curriculums.[16] Though they have done this in different ways, from Hawaii requesting that the Department of Education add one mandatory semester of economic and financial management to Maryland urging their school boards to add financial literacy into graduation requirements for high school seniors, the message is identical.

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[12] Okalahoma State Department of Education, http://www.sde.state.ok.us/home/defaultns.html, visited 02/06/2008,
[13] Maine State Legislature, "LD 1564" http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280024356&LD=1564&Type=1&SessionID=7, visited 02/06/2008.
[14] Maine Department of Education, "1997 Learning Results: Social Studies," http://maine.gov/education/lres/ss.htm, visited 02/06/2008.
[15] State of New Jersey 212th Legislature, "Senate, No. 2101," http://www.njleg.state.nj.us/2006/Bills/S2500/2101_I1.HTM, visited 02/06/2008.
[16] NCSL, "2007 Financial Literacy Legislation," http://www.ncsl.org/programs/banking/FinLiteracy_2007.htm, visited 02/06/2008.

In South Carolina, the legislature passed the “South Carolina Financial Literacy Trust Act” despite it first being vetoed by the governor.[17] The legislature overrode the veto and enacted this legislation providing a fund to make grants available to schools wishing to implement financial literacy education. Schools can apply for the grants and the money will go exclusively towards providing students with the necessary education on personal finances. The program is called the “South Carolina Financial Literacy Initiative”.

In New Mexico and Virginia, financial literacy education has been implemented into curriculums in an optional format. In New Mexico, students are now required to have the option of taking the subject as an elective in their high school curriculum.[18] In Virginia, the topics of savings and investments, predatory lending practices and interest rates, consumer fraud, identity theft and protection have been added to those that can be studied in certain life skills programs.[19] Though study of these topics is not required, it can be imagined that given the option, at least some students would take advantage of it and improve their knowledge of the subject.

On a similar note, in California, the Department of Education has made information on several subjects concerning personal finance available to the school districts.[20] The information includes instruction on consumer credit, the history of credit, obtaining credit, proper use of credit, credit report review and correction, and methods of improving credit. There is no requirement that this subject be implemented or included in any curriculum, however it is available for that purpose should the school districts wish to do so.

Study Groups Created

Between 2005 and 2007, two states have created study groups which will assess the status of youth personal financial literacy and then make recommendations to the legislature on what actions should be taken. In Oregon, the legislature created the Task Force on Civics and Financial Education, which will study financial education in kindergarten through grade 12 in public school and then advise the legislature on future actions.[21] In Rhode Island, the legislature created a 15-member commission to study middle and high school financial literacy education and report the findings to the legislature no later than April 1, 2008.[22] Though these groups do not introduce immediate results, their findings could lead to long-term change and improvement in the financial literacy of their states' students.

Organizations for Financial Literacy

In addition to initiatives introduced by the states themselves, there are non-profit organizations that are dedicated to improving financial literacy education nationwide. Below is a brief description of the two most popular groups that are involved in a number of states across the country.

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[17] South Carolina General Assembly, “A382, R427, H4707,“ http://www.scstatehouse.net/sess116_2005-2006/bills/4707.htm, visited 02/06/2008.
[18] New Mexico State Legislature, “HB 1205,” http://legis.state.nm.us/Sessions/07%20Regular/final/HB1205.pdf, visited 02/06/2008.
[19] Virginia State Legislature, “H 2513 Chapter 47” http://leg1.state.va.us/cgi-bin/legp504.exe?071+ful+CHAP0047 visited 02/06/2008.
[20] California State Legislature, “AB 1122,” http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_1101-1150/ab_1122_bill_20070223_introduced.html,visited 02/06/2008.
[21] 74th Oregon Legislature Assembly, “House Bill 2584,” http://www.leg.state.or.us/07reg/measures/hb2500.dir/hb2584.en.html, visited 02/06/2008.
[22] State of Rhode Island in General Assembly, “H 6235,” http://www.rilin.state.ri.us/BillText07/HouseText07/H6235.pdf, visited 02/06/2008.

National Endowment for Financial Education (NEFE)

The NEFE High School Financial Planning Program (HSFPP) is one of the most widely used and respected financial education programs around. The program was created by educators and financial professionals whose curriculum involves teaching students how to manage their money by setting solid goals, budgeting, saving, using debt wisely, investing intelligently, and protecting assets effectively. The competencies and objectives of the program match up closely with all the significant national standards and all state educational standards, and the program is free. NEFE provides a curriculum at no charge to any instructor or school that requests it. Started in 1984, the program has provided financial education to millions of students in tens of thousands of classrooms. It was independently evaluated twice and shown to make positive changes in student's financial behavior. [23]

Jump$tart Coalition

Jump$tart is a national coalition of organizations dedicated to improving the financial literacy of kindergarten through college-age youth by providing advocacy, research, standards, and educational resources. The program strives to provide the youth with financial information that they can use for the rest of their lives for successful financial decision making and is free of charge to all participating schools and organizations. [24]

Results of Financial Literacy Education

Though most of this legislation is relatively new, there were a few studies on the results of financial literacy education available. These results, however, are from studies put forth by the same organizations that administered the programs and/or are in the form of self-reported reactions from students and this should be kept in mind when evaluating them.

Melbourne, Australia

The Youth Financial Literacy Trial program, which was delivered at Peter Lalor Secondary College in Melbourne, was focused on increasing financial literacy for students on the topic of mobile phones and credit cards. The program was conducted on students in years 7 and 8 in 2005 and the result were encouraging as the overwhelming majority (73.5%) of the students had a positive experience of the program and more than half of the students surveyed (approximately 60%) found the credit card and mobile phone lessons *extremely useful* or *useful.* Most importantly, at the completion of the program, the majority of students reported an increase in understanding of both mobile phone and credit cards. Nearly 94% of students reported an increase in understanding of mobile phone plans and charges and nearly 95% reported increased understanding of credit card use. Along with these encouraging results, students expressed interest in receiving more financial education relating to loans and employment earnings. [25]

[23] "Financial Literacy," http://hsfpp.nefe.org/home/channels.cfm?chid=97&tid=1&contid=155&deptid=14, visited 3/3/08.

[24] "Jump$tart Coalition for Personal Financial Literacy – Mission," http://www.jumpstart.org/mission.html, visited 3/3/08.

[25] Russel, Roslyn, "Evaluation of the Youth Financial Literacy Trial Program," http://www.anz.com/Documents/OLI/PeterLalorSecColTrialeval_RMIT.pdf, visited 3/3/08.

High School Financial Planning Program

The NEFE program has proven extremely effective as students who studied the program reported significant improvement in their financial knowledge, behavior, and confidence. The results are based on survey responses from both teachers and students and a smaller sampling of students surveyed three months later showed that the positive impact of the program continued and even increased over time. Some of the reported improvements are that about 60% of the students increased their knowledge about the cost of credit, auto insurance, and investments. Also about 40% of the students began to write goals for managing their money, to save money for their needs and wants, and to track their expenses. In a survey taken 3 months later 60% indicated that they had changed their saving patterns, 59% changed their spending patterns, and the two primary ways that the students changed spending habits were that they now only purchase things they really need and that they spend more wisely. [26]

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[26] Danes, Sharon, "Evaluation of the NEFE High School Financial Planning Program," http://hsfpp.nefe.org/loadFile.cfm?contentid=273, visited 3/3/08; and [26] Sharon M. Danes and Heather R. Haberman, "Teen Financial Knowledge, Self-Efficacy, and Behavior: A Gendered View," *Financial Counseling and Planning*, Volume 18, Issue 2 2007, http://www.afcpe.org/doc/7%202866%20Volume%2018%20Issue%202.pdf, visited 3/21/08.