Perspectives on Evaluation in Financial Education: Landscape, Issues, and Studies

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Motivation

- Economic conditions have improved since the Great Recession, but financial capability remains a consistent issue:
  - 46% of Americans have saved three months of living expenses in case of an emergency.
  - 39% report ever figuring out how much they need to save for retirement.
  - Over 50% worry about running out of money in retirement.
  - Financial knowledge has actually declined since 2009, despite that perceptions of financial knowledge are relatively higher.

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- greater use of high cost financial services and higher levels of debt (Lusardi and Tufano 2009; Meier and Springer 2010).

Financial Education and State Policy

- Many important complex financial issues across states: credit card debt, bankruptcy, retirement saving, high cost loans, fraud, gambling, ...
- Not all states experience the same problems, or at least the same ordering of importance of those issues.
- There is not a “one-size-fits-all" policy with respect to financial education.
- Need to understand costs and benefits for specific programs and populations.

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- The wrong question: Does Financial Education “Work"?
  - Meta analyses and mass media often say “no" (Fernandes et al. 2013)
- The right question: what works and for whom in order for financial education to better serve heterogenous populations.
  - Many rigorous research studies find that well-implemented financial education can improve financial behaviors and knowledge.

The NEFE White Paper

Separate discussion into groups by where the financial education recipient is in the life-cycle or other distinctive attributes of the population:

- Children (ages 3-10)
- Youth (ages 11-18)
- Young Adults (ages 19-29)
- Working Adults
- Military Personnel
- Low Income Consumers

The NEFE White Paper

Also separate out four important topics that affect many groups:

- Student loans
- Homeownership
- Retirement planning
- Financial Advising

The NEFE White Paper

For each group or topic, we include:

1. an overview of why the specific group of interest may have needs for financial education, as well as programs offered for that group/topic
2. the major outcomes of interest for the specific population or topic and reviews the research findings
3. potential concerns with evaluations in the given context
4. “public communication"–a translation of overall research findings into lay terms.

Model Section: Youth (11-18)

(1) Motivation and Programs

- Middle and high school students in formative years in transition from youth to adulthood.
- Students need to develop an understanding of basic financial concepts before independently entering a complex financial world.
- Financial Education requirements for high school students becoming more popular.
  - Resources: NEFE's HSFPP, CEE's FFFL, Jump$tart's clearinghouse, NGPF, Federal Reserve System (Keys), Teacher Training from CEE & Jump$tart, etc.

Model Section: Youth (11-18)

(2) Major Topics and Literature Review

- Two outcome possibilities: knowledge gains and behavior changes
- The effect of curricula on knowledge differ based on the intensity of the requirement (duration and teacher training).
- The effects of state-mandated financial education on credit behavior.
  - Pre-2000 mandates have no or small effects on behaviors.
  - Post-2000 mandates and graduation requirements improve credit scores, reduce non-student debt, and reduce delinquency.

Model Section: Youth (11-18)

(3) Evaluation Practices, Strengths, and Limitations

- Knowledge gains studied in small populations might not translate to different populations
- Knowledge gains do not always translate to behavior changes.
- Hard to compare curriculum against each other to say what is *more* effective and for whom.
- All state mandates are not the same. Lumping them together generates inconclusive effects on financial behaviors.

Model Section: Youth (11-18)

(4) Public Communication

- There are costs to requiring financial education for high school graduation at the state level.
  - Teacher training
  - Displacing other courses
  - Administrative burden
- Research suggests that rigorously implemented financial education requirements improve credit scores and reduce delinquencies.
- These well-implemented requirements usually reflect the demands and challenges in that specific state.

CHILDREN

- Early life education provides foundation for middle and high-school education.
- Financial education can be imbedded into other subjects
- This integrated framework makes it difficult to evaluate the effects financial education can have.
- Experiential learning improves financial knowledge, budgeting, and financial socialization for elementary-school students.

Young Adults

- Young adults entering college or the workforce face many financial decisions.
- As they begin to live independently, life changes require careful management of income and expenses.
- Mistakes at this age can be costly for years to come.
- While high school financial education can improve outcomes for this age group, college and workplace financial education can be effective.
- One policy around student loans includes requiring all students to complete the FAFSA before graduating high school.

Working Adults

- “Opt-out" savings policies more common for workplace retirement savings.
- But these policies benefit some more than others and can actually harm some workers.
- Financial education can allow workers to customize workplace retirement savings or make more specialized savings decisions.
- Workplace financial education can also help workers to choose health insurance plans more effectively.

Military Personnel

- Face unique challenges after returning from deployment.
- Many financial education resources are available.
- Little is known about awareness and take-up of these programs.
- For those taking mandatory financial education as part of new enlistees of the Army, credit account balances decreased, delinquencies decreased, and savings improved.

Low Income Consumers

- Population trying to improve financial well-being with fewer resources.
- Traditional education generally needs to be more flexible, with effective results coming from financial counseling or financial coaching.
- These education offerings at times need to be paired with additional supports, such as different financial products or human services.
- Goal-setting and financial confidence are important for this group.

Takeaways

- No one standard type of education for each population or topic.
- Different outcome measures appropriate for different types of education.
- Review of research suggests that rigorous education, tailored to a state's population can improve financial behaviors.
- Continue to need more (and better) data available to estimate the effects of financial education on financial behaviors.
- This will help to iterate on state policies to improve financial well-being and economic growth.

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