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Financial Education in the United States*

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A B S T R A C T

Financial education in the United States in 2020 can be described as both organized and disjointed. State and local education governing bodies, non-profit organizations, and entrepreneurs all contribute to financial education, but often with little coordination. This article briefly describes financial education in the formal U.S. educational system as well as in the public and private sectors. It also highlights the primary challenges to effective delivery of financial education in the U.S.

Keywords: Financial education programs, effectiveness of financial education, the public and private sector governances and delivery mechanisms

Ⅰ. Financial Education in U.S. Educational Settings

In the United States, local school boards and state government departments of education largely determine what is required to be taught and to whom in kindergarten through 12th grade (K-12) public schools. Federal funding supports local schools as they work toward nationwide educational goals. In most states, state government has a role in setting broad curriculum goals, but local boards of education and school district administrators often have the most significant role. Teachers have the most autonomy in deciding *how* to teach content, rather than deciding what content to cover.

The Council for Economic Education (CEE) conducts a biennial survey that is considered an authoritative source about both economic and financial education in U.S. public schools (CEE 2020). The organization collects data from all 50 states and the District of Columbia. In 2020, they reported that 21 states now require that high school students take a personal finance course; the state education standards in five states plus the District of Columbia do not include standards for teaching personal finance.

However, state education standards apply only to students in K-12 public schools. Georgia is one state often praised for its work to require personal finance education. The Georgia state standards for social studies education from kindergarten through the 12th grade include personal finance. The state requires high school seniors to take a semester of economics. State standards require that personal finance be one-fifth of the content of the economics course, and include an end-of-the-course test that factors into the overall course grade (Cude 2016). Yet, by one estimate, as many as one-third of students in Georgia public schools are exempt from this requirement as they are home-schooled or enrolled in a private school, or take more advanced versions of economics such as Advanced Placement coursework or economics as a college course (Cude 2016). Moreover, up to 7.3 percent

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of Georgia public school students leave high school without completing their education (National Center for Education Statistics n.d.). Thus, many children and young adults never experience school-based financial education, even in a state with both standards and structures designed to provide this education.

Few statistics about financial education in U.S. colleges and universities are available, although the U.S. Financial Literacy and Education Commission (2019) has recommended that such instruction be mandatory. Cude and Kabaci (2012) and Danns (2014) report that many colleges and universities provide financial education for at least some of their students, but use a variety of delivery models. Unlike public school K-12 education, there are no mandatory or voluntary standards for financial education for U.S. college students. Kabaci (2012) highlights the lack of consensus among personal finance experts about the content of financial education for college students. Short (2020) calls attention to the importance of approaching financial education for graduate students differently than for undergraduate college students.

Ⅱ. Financial Education in U.S. Private and Public Sectors

To supplement the financial education delivered in U.S. public schools, a wide variety of organizations in the public and private sectors design, deliver, and/or provide financial support for financial education. The rationales for teaching financial education outside the formal school system include:

1) Not all states require that personal finance be taught in public schools and, even when it is a requirement, not all students attend public schools.
2) Financial education in the K-12 grades often does not address many of the financial decisions made in adulthood. For example, while financial investing is likely a topic included in most financial education curricula, the information likely is not sufficiently detailed to prepare one to make the choices required to enroll in and manage an employer-based retirement plan. And, due to the dynamic nature of the market, an employee's real-world choices even a few years after leaving school may significantly differ from those described in a school-based financial education course.
3) The amount of financial education one receives matters (Lynch et al. 2013), and more is better. Semester-long high school financial education courses are the exception; school-based financial education often consists of a few class sessions or at most a few weeks, and is typically offered in a course about another topic such as economics or math.
4) The timing of financial education matters (Lynch et al. 2013). "Just-in-time" financial education is useful because learners receive the education in the context of making an important financial decision (Mandell 2006). That principle rarely applies to school-age children, who may not make any financial decisions about using their own money, much less "important" ones. Research has demonstrated that financial education is like a muscle - if you don't use it, you lose it (Lynch et al. 2013). Thus, knowledge gained but not applied for months or years likely is not retained; suggesting financial education is lifelong learning.

Examples of financial education efforts led by non-profit organizations and financial services firms are plentiful, and include programming aimed at children, programs or seminars offered in the workplace, programs targeting at-risk populations, and more. A sampling of the variety of offerings is included below.[1]

A. Private Sector Financial Education

Some long-standing organizations focused on youth development have incorporated financial education into their mission. An example is Junior Achievement (JA), an organization that "inspires and prepares young people to succeed in a global economy" (www.georgia.ja.org). Junior Achievement of Georgia has collaborated with the Chick-fil-A Foundation to create Discovery Centers that include JA BizTown and JA FinancePark, where students learn financial education in a "360-degree authentic and immersive experience" as they become part

[1] The examples discussed in this paper are not intended to be exemplars.

of a simulated version of their hometown. The Discovery Centers are physical locations but JA Finance Park Virtual provides a parallel online learning opportunity.[2]

Invest in Girls, affiliated with the Council for Economic Education, espouses the mission is to "usher in the first generation of financially literate girls and change the way girls interact with money". The program uses a three-part approach that includes an educational curriculum, time with role models who work in financial services, and visits to financial services firms.[3]

Many non-profit organizations provide resources to classroom teachers. One such program is My Classroom Economy, which offers "fun," experiential learning activities to teachers and their students.[4] This program is unique in that researchers have evaluated its outcomes. Batty et al. (2016) reported that the program improved both financial knowledge and academic achievement and influenced student self-reports of selected financial behaviors, such as budgeting.

Other organizations focus on financial education for adults. America Saves, from the Consumer Federation of America (CFA), is unique in that its goal is changing attitudes, not knowledge.[5] CFA incorporated evaluation of the program's outcomes from the outset. This social marketing campaign's goal is to motivate, encourage, and support low-to-moderate-income households to save money, reduce debt, and build wealth.

Several programs target specific at-risk populations. The National Foundation for Financial Education's CashCourse[6] provides financial education materials for college students. Retire Friday[7] is a financial education initiative designed to improve opportunities for Hispanics to build wealth in retirement programs. In another example, the at-risk population is prisoners. The North Dakota Department of Corrections and Rehabilitation offers financial literacy courses in all five state prisons (North Dakota Department of Corrections and Rehabilitation n.d.).

Postmus et al. (2015) describe a financial education curriculum designed for domestic violence survivors. The researchers evaluate the impact of the curriculum using an experimental design with participants randomly assigned to the treatment or the control groups. The researchers reported improvements in self-reported financial knowledge, financial intentions, and financial behaviors.

McGarity et al. (2019), Okech et al. (2018), and Price et al. (2019) have described the importance of financial literacy for disabled populations, survivors of human trafficking, and homeless populations, respectively. The Florida Department of Financial Services has developed a comprehensive financial education curriculum for individuals with developmental disabilities (Financial literacy for everyone 2017). The National Alliance to End Homelessness has advocated for time banks, which are collectives of people who barter their services, as a way to teach basic money management, even to individuals who have little or no money ((Fostering financial literacy and security 2013).

For decades, researchers such as E. Thomas Garman (Kratzer et al. 1998) have advocated for workplace financial education. Trade associations for human resources professionals emphasize financial education, especially about employee benefits and retirement planning. For example, the International Foundation of Employee Benefit Plans offers several financial education resources on its website[8] and has published a report on strategies and best practices for financial education in the workplace (Bonner 2016). In a 2014 report, the Society for Human Resource Management indicated that 57 percent of U.S. organizations provide some type of financial education to their employees, most often retirement planning, financial counseling/resources through an employee assistance program, and financial investment planning (Society for Human Resource Management 2014).

Several large financial services companies have created financial education programs for different market segments. Examples include programs designed by banks, such as Wells Fargo's *Hands On Banking*[9] tool, which includes different versions of its content for different audiences, including young adults. The credit card company Visa has created a popular financial education program, *Practical Money Skills for Life*[10]. EverFi[11] markets finan-

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[2] See http://www.georgia.ja.org/jadiscoverycenters and (http://www.georgia.ja.org/jafinanceparkvirtual

[3] https://www.councilforeconed.org/programs-2/invest-in-girls/

[4] https://www.myclassroomeconomy.org/

[5] See https://americasaves.org. Information about evaluation can be found at https://americasaves.org/in-the-newsroom/research.

[6] https://www.cashcourse.org/

[7] https://retirefriday.com

[8] (https://www.ifebp.org/news/featuredtopics/RetirementSecurity/Pages/default.aspx)

[9] https://handsonbanking.org/

[10] http://www.practicalmoneyskills.com/

cial education materials to businesses and non-profit organizations. The American Institute of Certified Public Accountants' comprehensive money management tool *360 Degrees of Financial Literacy* features different sections for "everyone from tweens to retirees".[12]

Entrepreneurs have entered the financial education arena as well. The Khan Academy uses video instruction that incorporates a digital white board to teach financial education at no cost.[13] Khan Academy lessons frequently appear on lists of best financial education websites.[14] Gamification is a focus of some financial education originating in the private sector. Examples include *Farm Blitz*, which targets debt management, *Bite Club*, designed to teach retirement planning, and *Savings Quest*, which encourages saving (Maynard & McGlazer 2017).

B. Public Sector Financial Education

Many state and federal agencies are engaged in financial education in the United States. At the federal level, 20 federal agencies participate in the U.S. Financial Literacy and Education Commission, created in 2003.[15] In addition to coordinating financial education efforts across the different agencies, the Commission is responsible for developing a national financial education website and a national strategy on financial education. The U.S. Consumer Financial Protection Bureau also has a financial education mission - "to arm people with the information, steps, and tools that they need to make smart financial decisions".[16]

There is little published information about the engagement of state agencies in financial education. However, a Google search indicates that state treasurers in many states are engaged in various ways in financial education. Wisconsin is one state that has a Governor's Council on Financial Literacy, which includes representatives from many state agencies as well as from the private sector.[17] U.S. public libraries also are engaged in financial education (American Library Association 2020).

Ⅲ. Challenges in U.S. Financial Education

Despite the significant activity underway in the U.S. to deliver financial education to multiple different audiences in a variety of ways, significant challenges remain. Four are described briefly below.

Lack of consensus about the objectives of financial education. Because there is little agreement about what a financially literate individual should know or be able to do, there are different opinions what the objectives of financial education are or should be. At least two authors (Huston 2010; Remund 2010) have presented relatively consistent thoughts about the knowledge focus of financial education, suggesting they should be budgeting, saving, borrowing, investing, and/or protecting resources. However, both also recognized that financial literacy is more than just knowledge; Huston suggested the concept of financial literacy must also include "ability and confidence to effectively apply or use knowledge" (p. 307). Remund (2010) suggested that financial literacy must include the ability to communicate about financial concepts, aptitude to manage personal finances, and skill to make appropriate financial decisions. Other researchers, for example, Almenberg and Widmark (2011), have indicated that numeracy, the ability to make basic calculations, is essential to financial literacy. While different aspects of financial education may be relevant to different audiences at different times, the lack of consensus about the essential components and outcomes of financial education is problematic.

Limited assessment of the outcomes of financial education. Without agreement about what the objectives of financial education "should" be, it is challenging to assess its outcomes. Furthermore, a lack of convincing evidence that financial education "works" leaves it open to others to challenge its value and to argue instead for better enforcement of consumer protection laws, automation of more financial management practices, and greater use of financial intermediaries (Willis 2008).

A critical barrier to evaluating financial education programs is limited resources - not only money but also

[11] (https://everfi.com/financial-education/
[12] https://www.360financialliteracy.org/
[13] https://www.khanacademy.org/
[14] For example, https://www.moneycrashers.com/best-financial-education-websites/.
[15] https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission
[16] https://www.consumerfinance.gov/about-us/the-bureau/
[17] https://www.wdfi.org/OFL/govcouncilfinlit/members/GCFLDirectory.pdf

expertise. Resources now are available to guide evaluation efforts (see, for example, the OECD's (2010) *Detailed Guide to Evaluating Financial Education Programmes*). However, the skill sets required to develop effective and creative educational programs and to evaluate educational programs are not necessarily the same. In addition, we lack consensus about how to measure outcomes as well as outcome measures developed using psychometric analysis techniques to ensure validity (Knoll & Houts 2012).

Limited coordination among and across sectors. Lack of coordination and, in some cases, competition to create financial education programs is inefficient. Individuals and organizations who are new entrants into financial education often create new curriculum and approaches, either because they are unaware of existing resources or think they have a new and "different" approach. This too is inefficient.

Production of financial education materials by financial services firms, which have both the funding and incentives to create financial education to broaden their customer base, has led to a proliferation of financial education resources related to credit and investing. At the same time, other equally essential financial education topics, such as insurance, are under-represented.

Keeping up with changing marketplace practices. U.S. financial education is not keeping pace with changes in the marketplace. For example, it is easy to find references to writing checks and managing checkbooks in financial education. However, it is less common to find parallel information about debit cards and mobile payment services such as Venmo, even though young adults are more likely to use either of these than checks (Mercator Research 2019). In another example, newer models of insurance, such as Lemonade.com, may be the future. As U.S. financial marketplaces evolve, financial educators will be challenged to keep pace.

Ⅳ. Conclusions

A brilliant article would end with a clear plan to tackle these challenges. Unfortunately, the author does not have such a plan. However, she suggests that solutions must come from coalitions from each of the sectors engaged in financial education, not from one individual. In the author's opinion, the solutions would be characterized by coordination, not competition; and by specialization (in, for example, funding, and curriculum development, expertise in current market trends, evaluation, and research).

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