



Resources for Effective Financial Education in AFI Projects

To assist grantees to offer effective financial education training for their participants, the AFI Resource Center has developed this summary document, based on the experience of AFI Projects and other asset-building initiatives, as well as on the limited research available about the effectiveness of financial education. There are three sections.

1. An outline of key issues to consider in choosing, adapting, or developing a financial education curriculum.
2. Illustration of ways in which AFI Projects and other financial education providers have measured the effectiveness of their curricula.
3. A list of links to existing curricula and other tools useful in implementing financial education.

Choosing, Adapting, or Designing Effective Financial Education:

Tips from the Field

One definition of financial literacy is: “the ability to understand financial terms and concepts and to translate that knowledge skillfully into behavior.”¹ The difficulty, of course, is two-fold: finding effective ways to convey the knowledge and insuring that learners move from financial knowledge to financial behavior changes. Changing long-held habits of thought and action, in any aspect of our lives, is extremely difficult.

One of the few points of agreement in the research on financial education is that any approach must almost certainly be adapted for the specific context and actual participants. Another common conclusion is that knowledge and behavior are not necessarily directly connected. A third conclusion is that the “teachable moment” is important, that financial education is most effective if immediately linked to a personal opportunity, challenge, or need for the information. AFI Projects, because they offer significant funds to match participants’ savings, have a built-in focus. Without a specific purpose, a need to develop and use financial skills, many researchers say financial education has little impact and any impact may not last long. With these general concepts in mind, here are a few factors to consider in choosing or using a financial education curriculum.

¹ Katy Jacob, Sharyl Hudson, Malcolm Bush, “Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families,” Woodstock Institute, 2000.

Participant Financial Profiles

A good place to start in choosing or adapting a financial education curriculum is with the characteristics of the participants. Before selecting or beginning a financial education curriculum, sketch out in your mind or on paper a “financial literacy profile” and consider where participants may fit. You could also use this technique once your project is under way, for individuals and for your cumulative enrollment picture, as a tool to use in adapting or changing your curriculum if necessary. Profile components may include, for example:

- *General literacy level:* In many cases, AFI Projects will find a wide range of general literacy skills among their participants, though about 33 percent nationally have graduated from high school and 52 percent have some postsecondary education when they enroll. For participants for whom English is a second language, there may be questions of literacy in more than one language. Class content and especially the ways in which facilitators and instructors present topics will be critical, to participant understanding and motivation to practice what they learn.
- *Personal experience:* Ask yourself what kinds of experience your targeted audience has already had with traditional financial institutions. Have they had checking or savings accounts in the past and, if so, have their experiences been positive or negative? Similarly, what is their use of credit cards or debit cards? In addition, knowing the prevalence of specific financial activities such as use of predatory lenders, payday loans, or rent-to-own vendors, among your targeted group is an advantage in tailoring your topics and presentations. These questions could be part of your research and development of a curriculum as well as part of the educational curriculum itself, allowing facilitators to adjust their presentations and emphasis as needed.
- *Current financial status:* Household income and the prospects for income stability or increase are important, but so are other factors. In the context of the cost of living in your area, what are reasonable household expenses for food, shelter, childcare, and transportation, for example? Are there large medical expenses in the picture for some participants? In addition, how participants view their financial situation is a matter not only of fact but also of attitudes toward the facts. Knowing one’s current debt or credit record is not the same as seeing the facts as supporting or undercutting long-term financial goals. It is also possible to understand the value of having checking accounts, for example, but still feel unable to make deposits.
- *Cultural factors:* Attitudes toward money obviously vary a great deal among different cultures, ranging from an Islamic prohibition against paying interest to a variety of subtle ways in which gender roles affect the process and tone of financial decision making in various cultures. Having financial education activities that can build on rather than conflict with such differences will make your curriculum more effective, as will having activities adaptable to multigenerational contexts. This is another area in which facilitators need to be able to make adjustments in presenting specific topics.

- *Learning preferences and styles:* Age, general literacy, dominant learning modes (i.e., some absorb information best visually; others by reading or by listening) and other factors affect how individuals learn. Facilitators need to be able adapt their presentations as needed.

Finally, don't underestimate the difficulty of change, even when the change seems clearly beneficial. Some AFI Projects have reported long lags in the asset purchase process. Thus, fear of risk associated with something new, even achieving a long-held dream, may hold participants back. Acknowledging and discussing this issue as part of financial education may be one of several means to build participant confidence and to see that they can control their financial circumstances.

To maximize effectiveness, some AFI Projects have developed multiple modules for individual topics from which to choose according to the class composition... A number of projects survey individuals when they enroll to gauge these and other factors. Use of such instruments also may provide a baseline to measure the effectiveness of financial education or changes in participant behavior or attitudes over the life of the project or across multiple projects. Such information may be valuable also in identifying the need for changes in content or delivery for the financial education component. The appendix to this document includes a sample of such a survey from the Michigan IDA Project, a statewide collaboration that encompasses many sites using several different base curricula.

Staffing and Resources:

AFI Projects usually have limitations for the resources they can devote to financial education. One-on-one financial advising is very effective, especially with low-income and low-literacy individuals, but often not feasible in terms staff time and available funding. A majority of AFI Projects provide financial education in a group setting, in a series of sessions on individual topics, over a period of days, weeks, or months. Some projects systematically supplement class or group activities with personal counseling as part of their overall case management or participant support services; others reserve this labor-intensive option for participants who enroll with the greatest challenges or who become likely risks for dropping out of the program. Some projects use all these options, in effect having different tracks for participants with varying profiles at enrollment. A few are fortunate enough to have partner organizations who can concentrate this attention when needed for an individual participant.

Facilitation

Another important factor to consider, regardless of a specific curriculum or topic, is that participants are adults. Research on adult learning has shown that, as a rule, adults will respond more readily and retain more information if content is presented in interactive ways. Rather than a sage on the stage, adults work well with a guide on the side. Further, participant interaction, such as collectively devising ways to respond to various financial scenarios, also promotes bonding and enhances retention in the training and in the project. Similarly, inviting "alumni" to

participate in occasional classes has been very effective, providing concrete demonstration that success is not only possible but likely. Having bank representatives willing to open accounts in on the spot may also pique interest and discussion.

Where and When

Logistics offer many challenges, especially for large projects. Effective projects consider access when planning and scheduling financial education. Factors such as transportation, childcare, other family responsibilities, and working hours can severely limit participants' ability and willingness to come to classes, complete classes, and, more important, focus on the activities. AFI Projects often offer the same modules in a rolling cycle, at different times or days and in different places for subgroups within their populations. A few have persuaded employers to allow, or even support, financial education at the workplace, by providing space and paid time to participate in the classes. A few AFI Projects are experimenting with on-line or distance learning either as one mode for the entire sequence or as a make-up option if someone has to miss a particular session. Staffing and resources are factors in scheduling times and places as well.

Delivery

Delivery includes not only taking into account the points above, but also consideration of actual materials used in classes. Many commonly used curriculum packages, such as *Money Smart*, have workbooks with exercises designed to help participants fully grasp and practice using what they learn. Facilitators may use personal experience if it fosters a closer link with learners. They may also develop anonymous "case studies," role plays, and other activities based on actual experience over the life of the AFI Project (be sure to scrutinize and adjust details carefully to insure anonymity). It is important to balance relevance and "real life" with sensitivity to participants' financial issues and priorities. The pace has to be slow enough to allow participants to make an active connection between the general topic, such as using credit cards, and their own situation. This process may take place in a single class, or the "aha" may not come until days later. Use guest speakers if they are comfortable in the setting. And don't forget to let things be a little creative to jog everyone's thinking. Last, opportunity to actually use their new knowledge is very important for long-term impact. Programs that follow up on financial education content in their ongoing communications with participants will see more results.

Incentives and Benchmarks

The path from enrollment through savings, training, and asset purchase is a long one for most participants, averaging a bit over two years. While some participants can achieve their goal in the minimum six-month period, many more need more time, some over four years. It is easy to become discouraged or to lose a sense of progress, especially if obstacles such as emergencies, job loss, or illness come up unexpectedly. Including recognition of smaller steps will go a long way toward retaining participants and insuring their long-term success. If each participant has a personal plan for asset building, it will likely include obvious short-term milestones, as well as the long-term savings and asset goals.

In the context of financial education, participants could be recognized for achievements such as saving every month or reaching half the total savings goal, getting a budget down on paper or sticking with the budget for a month or two or more, for example. Other opportunities for incentives might be elimination of specific debts, or completion of individual modules. Incentives might include gift or discount coupons from local businesses, or movie or sports tickets. And, don't forget to find ways to recognize especially effective facilitators.

Standard Content

The number of potential topics that could be covered in a thorough financial education curriculum is large, but AFI Projects and researchers in the field agree on high priority for a few. Specific content and specific approaches, of course, must be tailored to your own participants and context. Further, each module must have its own objectives that contribute to the overall implementation of effective financial education. Woven through most modules are ways to develop and practice skills in budgeting, recordkeeping, planning, and decision-making. Among the standard components most often cited are:

- *Personal financial assessment*: Participants learn how to judge their actual financial situation by learning how to get and read credit report and comparing their income and liabilities.
- *Financial decision-making*: Participants learn to distinguish needs and wants, to understand their values and priorities for spending, including whether and how to save, as well as setting savings goals.
- *Budgeting*: participants learn how to set up a budget, ways to control and monitor expenses, and when and how to use credit to their best advantage.
- *Banking and other financial institutions*: Participants learn what services are offered, their costs, and how to use checking and savings accounts to manage income and expenses, as well as the role of interest in maintaining accounts or in nontraditional financial institutions.
- *Long-term consumer topics*: Participants consider topics, such as insurance, taxes, and retirement, from the perspective of long-term asset-accumulation and growth, as well as protection of assets.

Topics may be combined in different ways. For example, budgets and credit are often paired in modules. Additional topics include consumer rights and responsibilities and investment.

Assessing the Effectiveness of Financial Education

Interest in financial education and, therefore, interest in assessing long-term impact have increased greatly in recent years. The last section of this resource document includes references to a few evaluations that may be of particular interest to AFI grantees. Currently, AFI Projects use a variety of methods to assess effectiveness, though some do not measure this at all. The

most common tools are knowledge tests before and after completion of the financial education component (or even individual modules). Another is to track changes in financial behaviors among participants. Few projects have the resources to follow participants for an extended period of time once they have made their asset purchase. The national evaluation, however, does include such follow up for a small number of participants from several different AFI Projects.

Knowledge Surveys and Tests

A number of AFI Projects use surveys and tests to monitor the effectiveness of their financial education offerings. Several of the widely available curricula, such as *Money Smart* and *Finding Paths to Prosperity*, include such instruments in their instructional kits. Sometimes a general survey is used at the beginning and again at the end of a course. In other cases, such instruments are used for each topic or module. These tools do provide some insight into changes in the level of participants' knowledge but, as all must acknowledge, we often do not act according to what we know but according to other factors.

Behavior Changes

Looking at changes in actual behavior moves assessment to another level. After all, the object of financial education is that participants are able to make financial decisions and act in ways that will support retention, maintenance, and growth of their assets and wealth over time. Collecting data at this level is more cumbersome but may be more revealing.

Project Participation Indicators:

There are a number of behavior measures that can be gathered relatively easily because they are inherent to most AFI Project designs and work plans. Among these are:

- Regularity of deposits
- Amounts of deposits
- Milestones in a personal asset-building plan, such as retiring or reducing specific debts, maintaining household expenditures according to budget, or establishing additional savings accounts
- The actual asset purchase itself

From a broader project perspective, some grantees use a “financial check up” tool at enrollment and at exit from the program, or include key financial behavior questions in an exit interview or survey. Questions may cover the participant's previous and current spending habits or relationships with financial institutions and subprime lenders, uses of credit or tax refunds, participation in employer-based retirement plans or health insurance, or similar consumer decision points. Exit surveys may also ask about intentions to continue saving or plans to make additional asset purchases. An example from the Michigan IDA Partnership is included as an appendix to this resource document.

Financial Behavior after AFI Completion

A few grantees have the resources to try to track participants for some time after they make their purchase and exit the AFI program. For those that do, here are a few factors to look for six months, a year, or more after participants have made their purchase and exited the project.

- Retention of the asset
- Continued savings and regularity of saving
- Additional savings, such as accounts for children in the household
- Debt reduction
- Participation in other wealth-building opportunities, such as retirement plans, medical or life insurance, investment

Financial Education Resources

There are literally hundreds of financial education curricula already available on the web for almost any situation or target group that an AFI Project may be serving. A great many of these curricula are free for downloading or may be ordered for a nominal charge. Following are but a few sites that grantees may want to review, either to find an appropriate curriculum or, perhaps, to find useful approaches to a specific topic in their programs. The first section of this list includes links to general curricula and a few that target specific groups, such as youth or Native Americans. The second part provides links to a few publications that offer insight on expected and actual outcomes related to financial education in different contexts. These references may help you decide how to assess your own financial education. This list does not include financial education that focuses primarily on a specific asset goal, such as home purchase or business.

AmericaSaves/Consumer Federation of America

<http://www.mericasaves.org>

This site is home to a national campaign with chapters active in many cities and regions. From the site, individuals can learn about the benefits of saving, get saving strategies, and even open savings accounts. Sections of the Web site target African Americans, Hispanics and members of the military. Users are encouraged to join a local campaign. The site even links users to free email addresses to set up accounts.

Annie E. Casey Foundation

<http://www.aecf.org>

The Casey Foundation includes a variety of reports and other information on family economic security, including use of IDAs and the Earned Income Tax Credit. The site also includes a guide called *Implementing a Financial Education Program in Your Community*, originally developed for Casey's Making Connections sites but also useful as a planning guide...

Cooperative State Research Education and Extension Services (CSREES)

U.S. Department of Agriculture

www.csrees.usda.gov.

Extension Services offer financial education classes through offices located in every state and in most counties across the country. Classes are generally free or offered for a nominal fee. Extension Services staff at many locations have developed curricula for financial education tailored to local conditions. Several AFI

grantees have used Extension curricula or staff to deliver the financial education component of their projects, either at no cost or through contracts. To review existing materials or additional information related to financial education from the CSREES web site, select the Financial Security option, which will take you to brochures, curricula, templates, and other information on credit, debt management, and related issues, often in more than one language.

Fannie Mae Foundation

<http://fanniemaefoundation.org>

The Fannie Mae Foundation has supported studies of the need and effectiveness of financial education, and provides some materials on its Web site. Of particular interest is an extensive report, *Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.*, which includes case studies, best practices, and discussion of adult learning, as well as an extensive list of internet resources.

Federal Deposit Insurance Corporation (FDIC)

<http://www.fdic.gov/consumers/consumer/moneysmart/>

FDIC created *Money Smart*, a training program to help adults who are outside the financial mainstream develop their financial skills and ability to work with traditional financial institutions. Curriculum materials for instructors and students, in several languages, are available on the Web site, along with information on working with “unbanked” families. FDIC has published several evaluations of its curriculum. [See references below]

Federal Reserve Board of Governors

<http://www.federalreserveeducation.org/PFED/>

The Federal Reserve System resource center on personal financial education includes information on consumer banking, consumer protection, mortgages, loans, credit and more. The Chicago Federal Reserve Bank includes on its Web site a collection of education and research documents related to financial literacy. See CEDRIC (Consumer and Economic Development Research and Information Center at <http://chicagofed.org/cedric/>). Other Federal Reserve Banks have local or regional materials as well.

Financial Education Clearinghouse at Finding Paths to Prosperity

<http://www.idanetwork.org/>

Finding Paths to Prosperity is a financial education curriculum developed especially for IDA programs seeking to integrate financial education into their agendas. Developed out of a partnership between CFED and NEFE, the curriculum description can be accessed at the IDANetwork Web site. Materials—a facilitator’s package (hard copy and CD) and participant workbooks—are free to IDA practitioners but there is a fee to cover the cost of shipping.

First Nations Development Institute

www.firstnations.org/

FNDI has supported the development of IDA initiatives in Native American communities and offers research and reports for download on its Web site, as well as a financial education model designed for American Indian families. The web site includes downloadable materials for *Building Native Communities: Financial Skills for Families*.

Jump\$tart Coalition for Youth

<http://www.jumpstartcoalition.org>

Jump\$tart maintains a financial education clearinghouse with links to materials suitable for children and youth, from kindergarten through high school. The site includes a database searchable by keyword.

The National Endowment for Financial Education (NEFE)

<http://www.nefe.org/amexeconfund/>

NEFE's Web site includes a clearinghouse of financial education curricula that have been evaluated by NEFE staff and experts for accuracy of information, suitability for target audience, and numerous key criteria. Many of the curricula and materials included in the clearinghouse can be downloaded free or purchased for a nominal fee from the sponsoring organizations. The site is searchable by topic, by population to be served, and other categories. NEFE offers other resources and support for financial education, making it a valuable reference for AFI Projects.

National Community Reinvestment Coalition/The NeighborWorks Network

<http://www.nw.org/>

NCRC offers training and curriculum materials for organizations interested in offering financial education. NCRC's training guides are offered in both English and Spanish. Information on how to access its curriculum is available on its Web site. One useful tool is an *Annotated Bibliography for Financial Fitness Education* that summarizes the content, approach and target audience for dozens of free and low-cost curricula (<http://www.nw.org/network/pubs/studies/documents/finfitbiblio2002.pdf>). Some materials are accessible only to members who register and pay a fee.

U.S. Department of the Treasury

Office of Financial Education

<http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/>

This site is the home of the recently released "Taking Ownership of the Future," the report of the interdepartmental Commission on Financial Literacy and Education. The site also offers an electronic newsletter on financial education and information on the John Sherman Awards that annually recognize effective financial education initiatives around the country. In addition, Treasury also sponsors the My Money consumer information site: <http://www.MyMoney.gov>.

Women's Opportunity Resource Center (WORC)

www.worc-pa.com

WORC's on-line financial education curriculum, "Building Blocks to Financial Success," has received the Technology Award for 2005 from the Association for Enterprise Opportunity. Used by several IDA sites, the interactive training offers modules on budgeting, debt management, banking, loan and grant sources, and basic financial planning.

Assessing Financial Education, Selected Sources

Center for Social Development Washington University-St. Louis

<http://gwbweb.wustl.edu/sw/csd/newcsdpub.asp>

The Center for Social Development has produced evaluation of various dimensions of financial education for a number of years. The site, searchable by keyword, author, or year, also includes a number of reports from other sources.

Federal Deposit Insurance Corporation (FDIC)

<http://www.fdic.gov/consumers/consumer/moneysmart/>

The FDIC initiated an intensive evaluation of *Money Smart* in 2004. Interim reports are available on the web site.

Federal Reserve Bank of Chicago

<http://chicagofed.org/cedric/>

The Chicago Bank's resources include a number of studies of *Money Smart* in particular, but also of other financial education curricula and issues.

Sargent Shriver National Center on Poverty and Law

<http://www.povertylaw.org/advocacy/publications/2004-06-fllip-evaluation.pdf>

The Shriver Institute managed implementation and evaluation for Financial Links for Low-Income People (FLLIP). FLLIP offered financial education in combination with an IDA opportunity and as a standalone activity. The Shriver Center and the University of Illinois, Urbana-Champaign, have published a series of evaluations, available on the Shriver Center web site. Evaluation included a follow up with a large number of participants.

Woodstock Institute

<http://www.woodstockinst.org>

Among the many useful tools on this site, for financial education and other asset-building topics, are: *Evaluating your Financial Literacy Program: A Practical Guide* and *Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families*.

Following is a sample survey document that can be used to establish a baseline for participants when they enroll and to compare their status when they leave the program or at any point in between. Thanks for this template from the Michigan IDA Program. Other AFI Projects have developed their own templates. Check the project locator on the AFI web site (<http://www.acf.hhs.gov/assetbuilding>) and contact programs that interest you.

This resource document was compiled by Anne Yeoman for the AFI Resource Center with advice from numerous AFI Project staff and researchers in financial and adult education.

FINANCIAL CHECK-UP QUIZ: (Michigan IDA Partnership)

PARTICIPANT NAME: _____ DATE: _____

1. Have you made a list of specific financial goals and determined when you want to achieve them? Yes _____ No _____
2. Have you started savings or an investment program to fund long-term goals such as retirement or a child's college education? Yes _____ No _____
3. Do you have at least three months' expenses in a readily accessible account? Yes _____ No _____
4. Do you think you are up-to-date on your knowledge of financial planning topics? Yes _____ No _____ If no, what areas would you like to receive more information on?

5. Do you know how much you spend and save per month? Yes _____ No _____
6. Do you have difficulty maintaining your savings account? Yes _____ No _____
7. Do you have a checking account? Yes _____ No _____ Do you keep accurate entries of all checking transactions? Yes _____ No _____
8. Is your monthly income greater than your monthly expenses? Yes _____ No _____
9. Do you save money from each paycheck? Yes _____ No _____
If so, how much do you save? _____
10. Do you know your net worth? Yes _____ No _____
11. Are you paying off high-interest loans and credit cards as quickly as possible? Yes _____ No _____
12. Do you have life insurance? Yes _____ No _____
13. Do you have health insurance? Yes _____ No _____
14. Is your life, health and property adequately insured (benefits large enough to cover a major loss from fire, theft, etc.?) Yes _____ No _____
15. Do you have a will? Yes _____ No _____
16. Do you have a copy of your credit report? Yes _____ No _____
17. Have you had difficulty obtaining credit? Yes _____ No _____
18. Do you own your home? Yes _____ No _____
19. Do you have a car? Yes _____ No _____
20. What comments or special needs would you like assistance with? _____