Vermont Legislative Research Shop

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*ougt TJEMC /Span /<MCID 17 >BDC

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 tional Confere	States that implemented the program on a trial basis	States that have

the Bank at School program, which is voluntarily offered by the State Treas
was developed for fifth and sixth grade students and serves to meet the state
grades. It teaches children about finances by having the school partner with
children can start savings accounts. Students will meet with their respective
classroom visits and the teachers will take part in the project by providing r
and activities dealing with a range of financial management topics.

Table 2: Summary of State Requirements

STATE	SCHOOL TYPE	GRADES	TOPICS COVER			
			Savings &	Taxes	Balancing a	Debt
Illinois	Public	9-12	X	X		
Indiana	Public and Nonpublic	9-12	X		X	
New Hampshire	Public	3-8 & Once 9-12	X		X	X
Oklahoma	Public	7-12	X	X	X	

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 3r0.00wrdruners f8(m)8f ng th anp7(acs ophro) for credme. .

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.

---

[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,

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]

____

Prepared by Kevin Channell, Ryan McCormick, and Jamie Parot under the supervision of Professor Anthony Gierzynski in response to a request from Representative J. Zenie, March 19, 2008.

[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.