

2020 FINANCIAL LITERACY MEASUREMENT FORUM

EVENT AND DISCUSSION SUMMARY

May 12, 2021

NEFE virtually hosted the 2020 Financial Literacy Measurement Forum on September 15-16. The forum convened scholars from across the field of financial well-being research to add expertise and insight to a facilitated discussion about opportunities and barriers related to measurement. Attendees represented universities, government agencies and nonprofit organizations. The event drew from a range of historical perspectives and consisted of plenary sessions, breakout sessions and full-group sharing.

The goals of the event were to:

- Elevate knowledge of best practices for survey construction.
- Explore validity across various contexts.
- Engage in conversation about the challenges of knowledge-based tests in our field.
- Construct a list of measures and datasets that exist in our field.
- Discuss the importance of measurement limitations.

A summary of the event's discussion and other forum highlights are included below.

September 15, 2020

OPENING REMARKS

Dr. Billy Hensley, president and CEO, and Dr. Katherine Sauer, vice president of research and programs, welcomed the group and discussed NEFE's strategic shift, how this shift informs the forum agenda, NEFE's contributions to the field and the organization's updated funding priorities. Measurement is a core pillar of **NEFE's funding priorities** among three others: systemic inequality, data and methodological limitations and a focus on youth.

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As described in NEFE's funding priorities, strong standards of measurement strengthen the case for effective financial education. NEFE is interested in how financial literacy, behavior, perception, knowledge and skill can be measured more effectively, as well as fully examining whether instruments are effective in their intended measurement. NEFE specifically supports:

- Existing measures to be validated and grounded in theory.
- The creation of new measurements that are grounded in theory.
- Measures to be tested for validity across demographic attributes.
- Sensitivity and awareness that individuals' lived experiences vary and therefore measurement validity may differ across populations.

By hosting the 2020 Financial Literacy Measurement Forum, NEFE is leading a broader conversation of rigorous measurement in the financial well-being space.

The financial well-being field and health services research are both interdisciplinary and dependent on the use of unidimensional and multidimensional constructs. Additionally, both fields use reflective and formative measures to make up scales.

PRESENTATION BY DR. CAROLYN THORPE

Dr. Carolyn Thorpe, associate professor in the division of pharmaceutical outcomes and policy at the University of North Carolina at Chapel Hill, presented on the challenges and opportunities faced in her field of health services research, which has many parallels to the financial well-being field. Health services includes interventions, patient behavior, outcomes and foundational factors that can affect a patient's outcomes. Some of the concepts explored throughout Dr. Thorpe's presentation also are communicated in two research briefs - found **here** and **here** - produced by NEFE in collaboration with Dr. Dee Warmath and Dr. Utpal Dholakia, respectively. These research briefs were shared with forum participants as pre-reading for the event.

The financial well-being field and health services research are both interdisciplinary and dependent on the use of unidimensional and multidimensional constructs. Additionally, both fields use reflective and formative measures to make up scales. Dr. Thorpe presented an overview of these terms, the process of developing a scale, examples of how these elements had affected her research and a case study about the challenge of dimensionality.

BREAKOUT SESSION: UNIDIMENSIONALITY VERSUS MULTIDIMENSIONALITY

Participants were given the following prompts:

- *Is there clarity in your field on unidimensionality versus multidimensionality of commonly used measures?*
- *Can you think of examples of multidimensional constructs that have been measured as unidimensional constructs? What about vice versa?*
- *How has this impacted progress in the field?*

Many participants noted a need for field consensus about important concepts and definitions. Historically, measuring individuals' financial well-being has depended upon measures of financial knowledge. However, elements such as emotion, attitude, self-efficacy and behavior are just as important in measuring financial well-being, and therefore, multidimensional measures are useful in our field. Different dimensions are important to different demographics, and multidimensional scales could help to ensure measures are valid for different populations. Participants also emphasized the need to revisit "commonly-used measures" to ensure that they are measuring what they intend, as well as adjust and build upon existing measures.

BREAKOUT SESSION: REFLECTIVE VERSUS FORMATIVE MEASURES

After presenting a second case study about the challenges of using reflective versus formative indicators for measurement, participants were then given the following prompts:

- *In your field, do formative or reflective measures dominate?*
- *Can you think of examples where a formative construct has inappropriately been measured as reflective? What about vice versa?*
- *How has this impacted progress in the field?*

Participants noted that components of financial literacy, such as financial knowledge, are measured reflectively and that individual items are indicators of an individual's knowledge. However, the broader concept of financial literacy may be considered a formative measure because components such as financial knowledge, general numeracy skills and resources all impact an individual's measure of financial literacy (but are not necessarily correlated with one another). Formative measures of financial literacy are comprised of reflective measures of elements, such as knowledge and attitude. Participants also noted the importance of having an underlying theory from which measures can be developed.

FULL GROUP DISCUSSION: MEASUREMENT CHALLENGES FACED IN THE FIELD

Participants' questions included:

- How can we create cohesion in the field regarding which measures are of high quality and frequently used?
- How can we create scales of appropriate length so that adequate information is gathered, but respondents do not become fatigued from a larger number of items?
- Is it feasible to create a shorter, more reflective measure of financial literacy, despite the value of identifying and assessing the validity of components of financial literacy for diverse populations?

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September 16, 2020

PERSONAL FINANCE ECOSYSTEM PRESENTATION

Dr. Katherine Sauer presented **NEFE's Personal Finance Ecosystem framework** for understanding and conceptualizing financial well-being. The Personal Finance Ecosystem is a visual roadmap laying out the foundation that underpins an individual's level of financial well-being. It gives context to the elements that comprise and influence well-being and right-sizes expectations for what can be achieved with educational and behavioral influences, interventions, and efforts. It is a research-informed framework, developed for use by practitioners, researchers and policymakers. Research is vital to understanding the complex elements within the ecosystem and can help our field identify and quantify influences and barriers to financial well-being. After Dr. Sauer's presentation, participants were broken into groups to brainstorm metrics that exist in the field of financial well-being and identify which aspect(s) of the ecosystem each metric supports.

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FULL GROUP DISCUSSION: IMPORTANCE OF POPULATION-SPECIFIC MEASUREMENTS

The group created a list of scales that support different elements of the ecosystem, then linked each scale to the population it was intended, such as age groups and life stages. Participants discussed the potential opportunity for creating a scale that is more broadly applicable to all ages, allowing for more longitudinal research. Discussion also centered around the importance of identifying components of scales so that differences by population may be better observed and explained.

BREAKOUT SESSION: WHERE CAN WE IMPROVE AS A FIELD?

Participants were given the following prompt:

- *Where can we improve as a field considering what we learned yesterday and discovered today?*

Participants emphasized the importance of measurement validity across demographics and that the field continues to prioritize measurement invariance. Breakout groups also noted the abundance of replicated work and suggested that the field could benefit from a greater sense of cohesion and organization, especially for developing measures and conducting research. The need for consensus among researchers from different academic areas working in the financial well-being field was reiterated throughout the breakout groups.

TAKEAWAYS AND FUTURE ACTION

To carry forward momentum generated by the forum's participants and their discussions, NEFE is taking the following steps:

- NEFE will work with researchers to thoroughly review measurements that exist in the field and assess the reliability and validity properties of those measurements. Findings from this work will be made public.
- NEFE will explore how it can support the field's progress in overcoming challenges inherent to multiple disciplinary perspectives and inconsistent definitions of core concepts.

Additionally, NEFE encourages scholars to thoughtfully vet measurements before use or re-use; to consult the work of peers in the same and other disciplines; and to keep lines of communication open. These actions can support forward progress and elevate both measurements and measurement practice within the financial well-being field.

About NEFE

The National Endowment for Financial Education (NEFE) champions effective financial education. We are the independent, centralizing voice providing leadership, research and collaboration to advance financial well-being. As one of the first organizations to wholly dedicate its efforts on improving the effectiveness of financial education, we continue our legacy of strengthening action-oriented research agendas, mobilizing intermediaries, and creating better solutions for researchers, educators, practitioners and policymakers.