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Nefe Digest

September/October 2014

"Painfully Average"

What Will It Take for American Teens to Do Better?

When the long-awaited results of the Programme for International Student Assessment (PISA) were revealed July 9, U.S. teenagers ranked in the middle of the 18 participating countries and economies in financial literacy aptitude.

"We certainly were disappointed, but not surprised," says NEFE CEO Ted Beck. "We didn't expect to be on the medal stand—we assumed we'd only be getting a participation ribbon." One national journalist told Beck the United States is "painfully average." Beck says, "This is not where we want to be as a country."

Continued on page 2

National Endowment for Financial Education

Continued from page 1

American 15-year-olds' mean score ranked between eighth and 12th in the first PISA 2012 financial literacy assessment, which was administered to approximately 29,000 students in 18 countries and economies. Shanghai-China had the highest mean score. Colombia had the lowest.

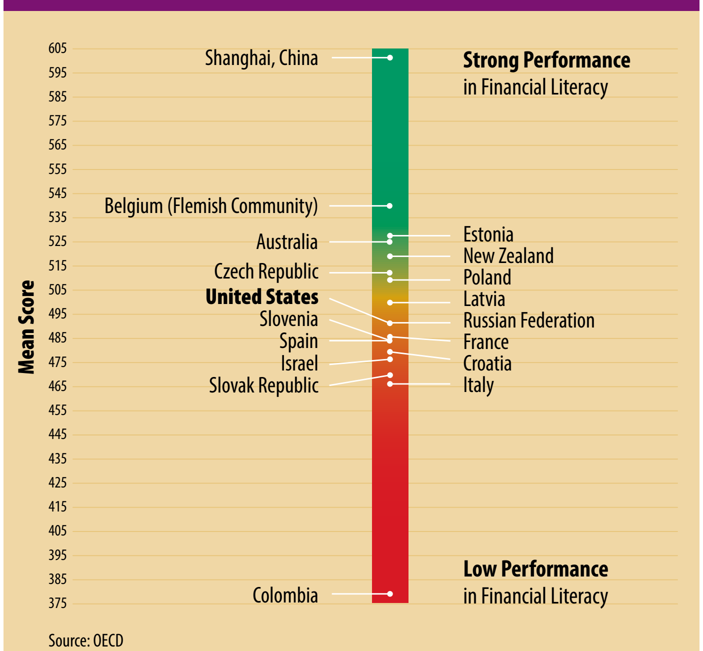
The Global Financial Literacy Excellence Center (GFLEC) in Washington, D.C., hosted the PISA release in the U.S., and the Organisation for Economic Co-operation and Development (OECD) presented the findings in Paris.

The quality and quantity of U.S. financial education certainly affects test scores. Not surprisingly, however, the study found students' financial literacy is directly related to their competency in mathematics and reading. PISA ranked the United States below average in math and average in reading among the 65 participating countries in the 2012 assessment.

"We need to take an honest look at the work we do and set the bar higher," says Beck. "We can't settle for second-rate results."

NEFE President and CEO Ted Beck with Annamaria Lusardi, David J. Cowen, Alan Krueger, and Lisa Krueger at the PISA data release in July.

Average Performance of 15-Year-Olds in Financial Literacy



"… in schools, in our homes, in our communities, at our jobs – everywhere people are, financial education should be there too."

Quality Financial Education: What Works

First-rate results require five key factors: a well-trained educator (and/or tested e-learning protocol) to facilitate learning; vetted/evaluated program materials, timely instruction, relevant subject matter, and evidence/evaluation of impact. "Ample research proves that we need these components—all of these components—to make financial education work," says Billy Hensley, Ph.D., NEFE's director of education.

Naysayers have positioned the recent NEFE-funded study, *The Effect of Financial Literacy and Financial Education on Downstream Financial Behavior*, as proof financial education doesn't work. Although small, the effect of financial education on positive financial behaviors is statistically significant. However, this meta-analysis counted pretty much anything as financial education—high school courses and units, counseling, seminars, workshops, newsletters, pamphlets, and fairs—and had no way of measuring the efficacy of the instructors' backgrounds. "Obviously, 50 hours of classroom financial education will outperform glancing at a pamphlet," says Hensley. "It's lazy to say financial education doesn't work. Instead of picking out tactics that haven't worked, we need to recalibrate to build upon interventions where success has been documented."

Focus on Effective Teacher Training

Although 89 percent of K-12 teachers believe financial education is important, only 19 percent of those same teachers feel competent to teach personal finance, according to a NEFE-funded 2010 University of Wisconsin-Madison study. "The financial education community really stepped up to address this deficit. Now they need to continue," says Beck.

The Jump$tart Teacher Training Alliance (J$TTA) developed, piloted, evaluated, and refined a training program focused on personal finance subject matter.

Knowledge, confidence, and behaviors improved dramatically. Teachers who agreed they have the knowledge necessary to effectively teach their students about personal finance increased from 38 percent to 80 percent. Teachers who had integrated financial education into their classroom instruction rose from 61 percent to 90 percent.

"We can learn from other academic disciplines," says Hensley. "Schools, school districts, and states have experience

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raising performance in math, reading, and science. No one has had to do that for financial education because there has been very little accountability."

Evaluation Promotes Continuous Improvement

Financial educators want to know that their programs have impact. Yet creating a culture of evaluation in the community faces many barriers: lack of capacity, lack of standard metrics, and benchmarks, too much jargon, and limited expertise in evaluation practices. "Evaluation promotes continuous improvement," says Hensley, "and helps demystify the myth that there is one programmatic approach to financial capability."

"Frankly, the community is overdue in committing time and money to setting and applying rigorous evaluation standards to current programs," says Beck. "It's time to stop basing our work on anecdotes and now build upon what has been evaluated and proven through rigorous research. We need to put aside the focus on creating new, duplicative resources such as curricula and teacher training, so we will learn more about what works and put it into practice faster."

Talk to Your Kids About Money

"Parents are the single greatest influencers of positive financial behaviors in their children," says Beck, referring to the NEFE-funded longitudinal study at the University of Arizona. Researchers found that even if parents are not good at managing money themselves, their positive expectations still build positive behaviors in their children. "Talk to your kids about money," says Beck. "There are masses of resources to help start those conversations."

Leverage Current National Focus

The White House and many federal agencies now are making financial capability a priority. President Barack Obama appointed his second President's Advisory Council on Financial Capability for Young Americans this year. The PISA results involved numerous national leaders in government, business, nonprofits, and media.

"We need to take advantage of the spotlight we have right now to engage all the players needed to embed financial capability systemwide: in schools, in our homes, in our communities, at our jobs—everywhere people are, financial education should be there too," says Beck.

To see full coverage of the GFLEC event, visit www.gflec.org/pisa. Read the full PISA report at www.oecd.org/pisa.

HOLIDAY CLOSINGS

NEFE will be closed September 1st for Labor Day.

Behind the Scenes of the *OnYourOwn* Video Shoot

In August NEFE's blog for young adults, On Your Own, brought together a group of people to discuss their beliefs and thoughts about money. Look for the finished videos at www.OnYourOwn.org this fall.

Did You Know?

Since it began in 1984,
NEFE's High School Financial Planning Program (HSFPP) has reached

nearly **109,000** instructors and

11.5 million students

30 YEARS
HIGH SCHOOL FINANCIAL PLANNING PROGRAM
powered by NEFE since 1984

Keep up with the 30th anniversary celebration at www.hsfpp.org

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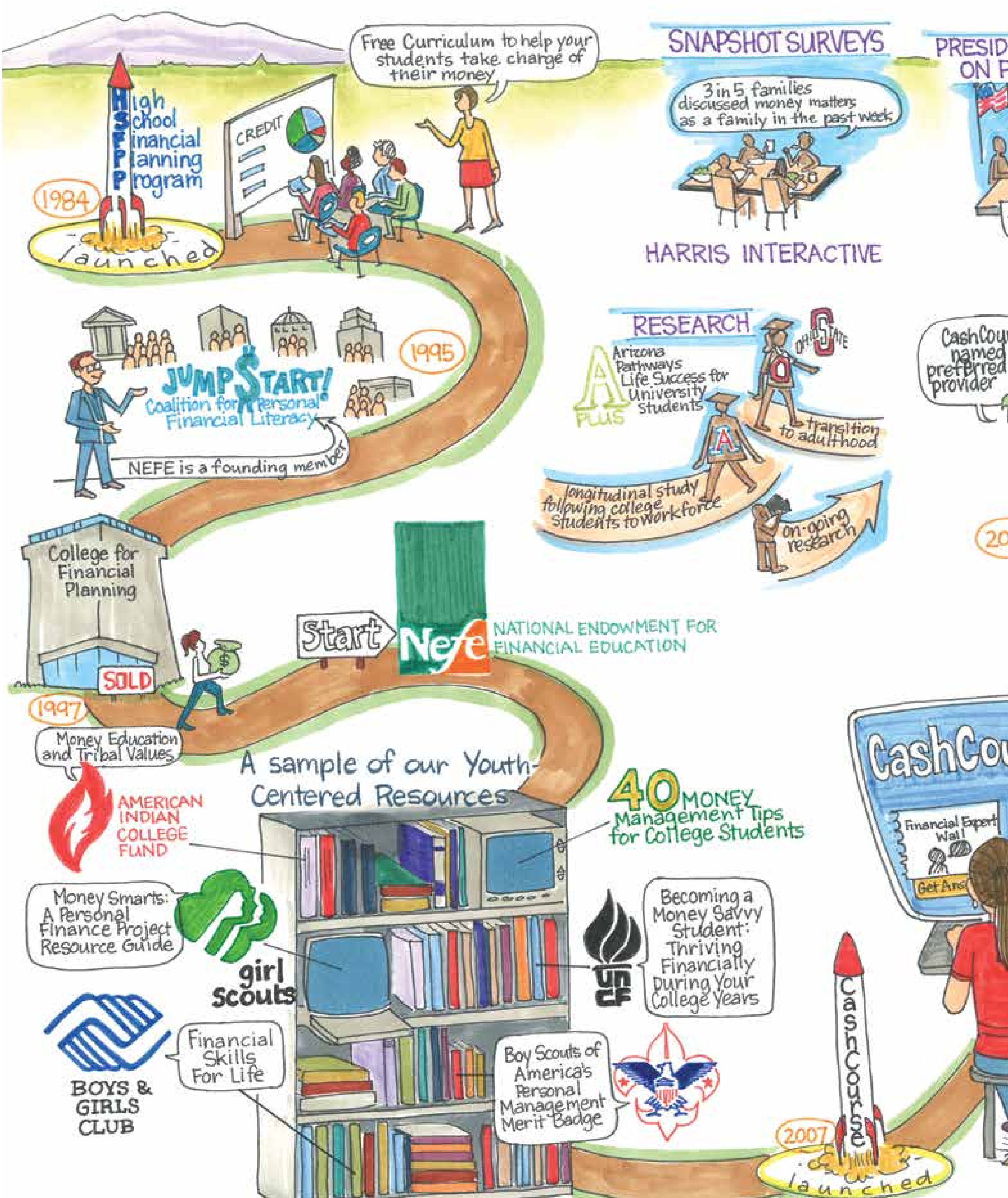

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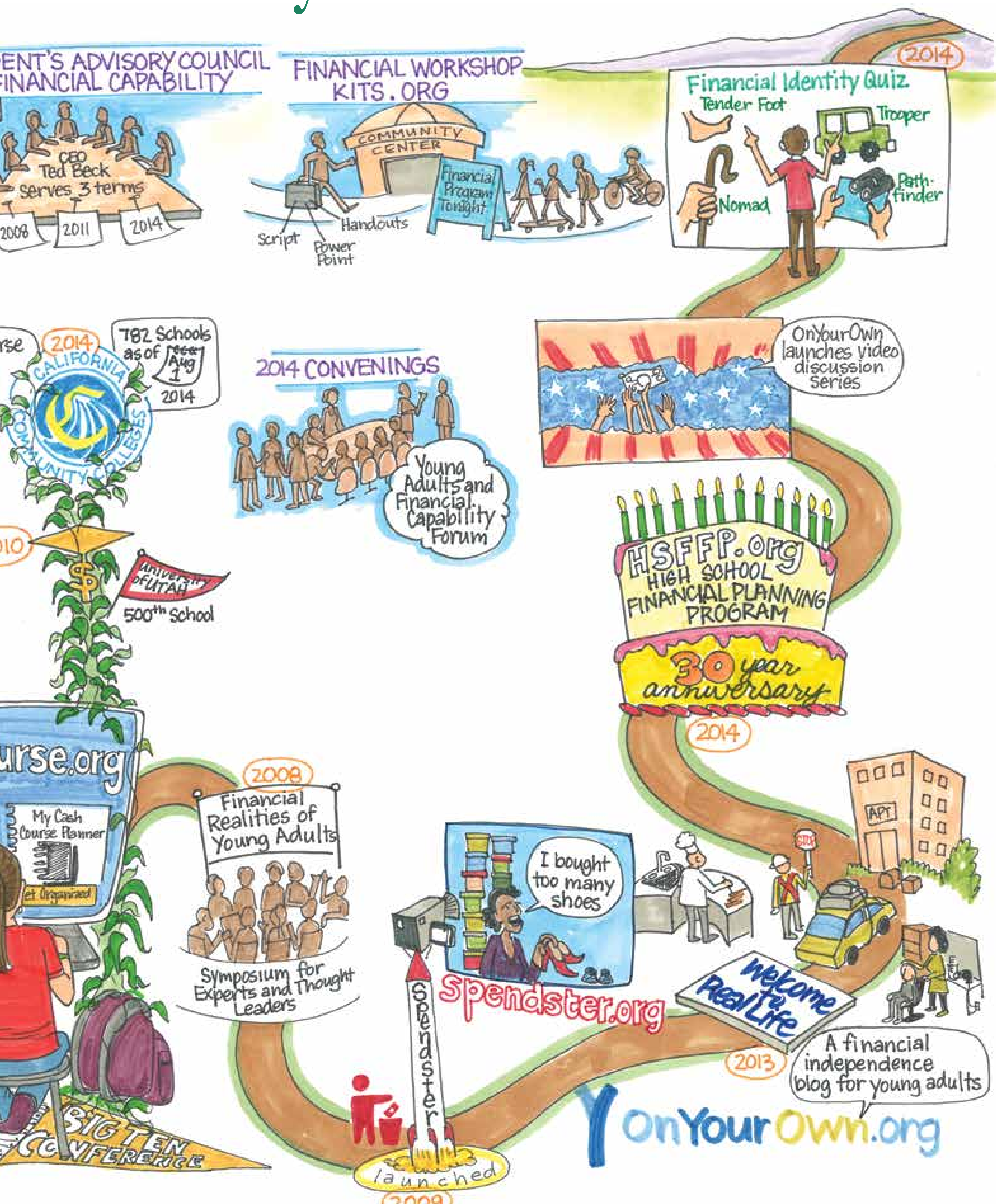

Illustration by Kriss Wittmann

CashCourse and California:

Building a Financial Literacy Partnership

It takes vision, ambition, and a focus on student success to deliver financial education to more than 2 million students. That's exactly what the California Community Colleges Chancellor's Office (CCCCO) has committed to doing.

Since March, NEFE has been working with the CCCCO to build a financial literacy campaign for each of the 112 community colleges in the state of California. This long-term initiative, with a timeline of at least five years, includes CashCourse as the system's financial education program of choice.

"We know how vital financial skills are to student success," says Rhonda Mohr, dean of student services and special programs at the CCCCO. "Our goal is to create a culture of financial responsibility at our colleges, and to give people the tools they need to create a better future."

Beyond using CashCourse both on the web and in the classroom, this partnership will focus on building a framework for integrating financial literacy into the student experience. Working with community colleges also gives NEFE another way to reach underserved populations.

"This is such an exciting opportunity for us," says Amy Marty, CashCourse program manager. "By coordinating activities within the California community college system, we can start to understand the impact of a systemwide financial literacy initiative. We'll also learn what approaches and topics resonate most with a more diverse audience of students."

Phase one of the California initiative begins this fall, and focuses on creating a CashCourse account for every community college in California and testing the effectiveness of embedding financial literacy into different areas of the student experience.

For more on CashCourse, visit www.cashcourse.org.

Personal Finance for Crime Fighters:

CashCourse at CUNY's John Jay College of Criminal Justice

Thirty-year-old Cindy Chery enrolled at John Jay College of Criminal Justice in the heart of New York City because she wants to work in law enforcement.

"I never knew that [potential employers] would run credit checks on you," says Chery.

Most of Chery's peers don't realize that either. "I have so many friends who are terrible with their finances and don't understand basic things like saving or what a good credit score is," says Chery.

John Jay students go on to work in law enforcement, criminology, forensics, and similar careers. Some even end up in top government agencies such as the FBI. But before they set out to battle the world's injustice, these students must fight to get their finances under control.

Many of John Jay's students are the first in their families to attend college and more than half of undergraduates are designated low income.

"[For] a lot of students who come to our school, college is their first opportunity and really their first job," says Samuel Lopez, coordinator of Jay Express, a one-stop center for students who need help completing transactions on campus from admissions to financial aid.

"When these students get their first financial aid or work study check, they don't know how to budget or save it," says Lopez.

A senior college of the City University of New York (CUNY), John Jay began offering NEFE's CashCourse program to its students five years ago. Lopez has seen a change in student behavior as a result of weekly personal finance workshops that use CashCourse as a resource.

"At first some of the students are nervous and don't really believe that CashCourse will help them," says Lopez, "But once they start budgeting and taking in the information, they encourage other students to sign up."

In addition to the weekly in-person class, Lopez facilitates an online discussion forum where students pose questions to

Continued on page 8

Lessons from Our Parents

NEFE's media interns share money lessons from their childhoods


Jessica Wright


Elyse Stefaniak

Mother Card and Daddy Warbucks
By Jessica Wright

When I was younger, my father would send me to the store to run his errands: "Jessica is the only one who knows how to bring back change," he would jokingly say.

I learned about credit cards from my mother and cash from my father, but the most important lesson I learned from my parents is to take care of home first. With that being our family's golden rule, we understood that when money came in, we would take care of living necessities before spending on leisure activities.

I grew up in a middle-class family with strong values in Mesquite, Texas. My mother was a free spender, but only when my brother and I needed clothes for school or we needed something for the house. I often remember hearing her say, "Charge it," but rarely did she splurge on herself. She used to take me with her to pay bills and sometimes let me give the teller the payment. I learned that if you use credit, you still need to pay more than the minimum amount before the due date.

My father tracked the family's finances, so he was less willing to spend money unless he had already written out a plan to do so. I remember watching my father at his desk marking up a ledger with our living expenses. I now do the same thing when money comes in—I sit down and write out where my money must go before spending on where I would like it to go.

My parents acquired secure careers that allowed them to buy a home and put my brother and me through college. Growing up it may have been tight, but financial issues never affected us as children. My parents were very good at showing us the right way to handle our money. These experiences have taught me to track my finances and only use credit when I can afford to.

"… the most important lesson I learned from my parents is to take care of home first."

No Reward for Breathing
By Elyse Stefaniak

Growing up, I worked for tally marks. My parents didn't believe in "paying us for breathing," as they described allowance. So my siblings and I made our money doing chores around the house and then documenting them in tallies on the fridge. Sunday afternoons we were handed a fistful of quarters, a manifestation of the tallies that foreshadowed the feeling of payday. We could spend our hard earned coins on treats at the grocery store, or save up for toys at Target—the checkout clerks despised us. As we grew older, the jobs changed to suit our ages, and we began saving for more sophisticated items.

Summers as a preschool teacher assistant grew into a steady, year-round business as babysitters for my sister and me. My mom would take us clothes shopping once a year for necessities, but other clothes we wanted, plus our cellphone bill, were left to our extraneous source of income. Budgeting wasn't a foreign idea because my cellphone bill seemed a product of inflation from the days of saving and calculated spending for American Girl doll accessories.

My adolescent finances seemed so normal to me that—even though I knew other families had different financial arrangements with their children—the first time I was confronted with the spectrum of financial independence was in college.

Freshman year, my parents encouraged me to work part time to have more spending money. I attend New York University, so I want to fully experience the city—visiting the museums, amazing restaurants, and stores. My friends want to do the same, but I find myself declining offers due to the cost.

Many of my friends have unlimited credit cards that their parents happily pay off, plus all-inclusive prepaid meal plans that they rarely use in favor of the unique cuisine found around the city. But I choose to be more calculated. Just as in childhood, my parents provide me with the necessities including tuition, housing, and a meal plan—and I'm fortunate to be able to afford that much. Others are running to two jobs after class to attempt to afford what their need-based scholarship won't cover.

I am conscious of money not only because I have a job at school, but because my upbringing made me aware of how quickly money can come and go. I have noticed that my peers who pay attention to their budgets, regardless of their employment status, also appear to value their education and actually attend class—what a thought.

Continued from page 6

the group. Students commonly ask for clarification on topics such as the difference between credit and debit cards, solving debt issues, and advice about monitoring spending.

"The students help raise each other's awareness about how to stretch their money further and how to budget ahead," says Lopez.

"I tell my friends, 'if you want to save money and learn about becoming financial independent, attend Mr. Lopez's workshops,'" says Chery, who is majoring in criminal justice and minoring in psychology.

The students' increased financial awareness also can help them land a job after graduation.

"Potential employers—especially law enforcement and government agencies—will look at the student's finances, including their credit score, but also how much student loan debt the student has and whether they are in default," Lopez says. "It is in the students' interest to take charge of their finances while they are still in school."

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Stop by our booth or look for us at the following conferences:

Excellence in Journalism 2014 Radio Television Digital News Association (RTDNA) and Society of Professional Journalists (SPJ)	Sept. 4–6	Nashville, Tenn.
Council for Opportunity in Education (COE) Conference	Sept. 7–10	Washington, D.C.
National Extension Association of Family and Consumer Sciences (NEAFCS) Annual Session	Sept. 15–19	Lexington, Ky.
Corporation for Enterprise Development (CFED) Assets Conference	Sept. 17–19	Washington, D.C.
Financial Bloggers Conference (FinCon)	Sept. 18–20	New Orleans
Financial Planning Association (FPA) Annual Conference	Sept. 20–22	Seattle
Online News Association (ONA) Conference	Sept. 25–27	Chicago
Society for Financial Education and Professional Development (SFE&PD) Annual Literacy Leadership Conference	Sept. 29–30	Washington, D.C.
President's Advisory Council on Financial Capability for Young Americans	Oct. 2	Washington, D.C.
Council for Economic Education (CEE) Financial Literacy Conference	Oct. 8–12	Dallas
Colorado Association of Financial Aid Administrators (CAFAA) Conference	Oct. 8–10	Ft. Collins, Colo.
Society of American Business Editors and Writers (SABEW) Personal Finance Reporting Workshop and Fall Conference	Oct. 9–10	New York
Midwest Association of Student Financial Aid Administrators (MAFSAA) Conference	Oct. 12–15	Charleston, W. Va.
FDIC Consumer Research Symposium	Oct. 16–17	Arlington, Va.
Academy of Financial Services Symposium	Oct. 16–18	Nashville, Tenn.
National Conference on Students in Transition	Oct. 18–20	Denver
Consumer Action Anniversary Awards Ceremony	Oct. 21	Washington, D.C.
American Savings Education Council (ASEC) Fall Meeting	Oct. 22	Washington, D.C.
Moneywise Seminar	Oct. 25	San Francisco
Gear Up West	Oct. 26–28	Seattle
FDIC Advisory Committee on Financial Inclusion	Oct. 29	Washington, D.C.

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All questions regarding *NEFE Digest* may be addressed to the Marketing and Communications department. Editor: Cara Hopkins. NEFE is open Monday through Friday, from 8:30 a.m. to 5 p.m. Mountain Time. The main telephone number is 303-741-6333; the fax number is 303-220-0838.