**Research Brief 2015**

**Tools for Teaching Financial Concepts to Low-Income Families**

Center for Financial Security

**Introduction**

A recent study conducted by the Consumer Financial Protection Bureau found that approximately $2 per person per year is spent on financial literacy education in the U.S. compared to $54 per person per year on financial services marketing (CFPB, 2013). Although this incongruity is just one piece of a complex issue, it indicates a need for more readily available, balanced exposure to unbiased financial education opportunities, especially for those in low-income or economically vulnerable positions. The inability to correctly answer questions about managing money is even more pronounced in demographic groups that experience significantly higher rates of poverty (Lusardi, 2008). “In the current economic environment it is essential to equip consumers with the necessary tools to make informed financial choices. One of these tools is financial literacy (Lusardi, 2008)”. This brief reviewed eight curricula designed to teach low-income families about personal finance.

**Focusing on Vulnerable Populations**

Why focus on low-income populations and why create specifically tailored financial education curricula for low-income populations? According to Lyons et al., “basic financial education management skills are important for all households, but they are particularly critical for low-income households to ensure long-term financial security (2005).” In an economic environment of increasing financial complexity it is easy for low-income and disadvantaged populations to fall victim to predatory lenders, financial scams, and other ill-advised financial habits or situations, especially because many lack adequate financial education (Lyons, Chang, & Scherpf, 2005). Low-income populations face a variety of financial decisions and situations that are distinct to people living in poverty or on the edge of poverty and financial education curricula can be designed to address these needs. Much of the existing financial curricula available to wider audiences largely focus on subject matter that is often not relevant to low-income populations, such as investing, estate planning, and many insurance products. Low-income populations can be better served with subject matter that explores commonly faced challenges and issues addressed in such topics as budgeting on fluctuating or unstable wages, improving and building credit, navigating benefits, and introduction to common legal matters.

While financial literacy curriculum honed to target specific audiences should better address the needs of people facing issues that are most commonly found in low-income populations, evaluation of these programs and curricula are essential. One of the most common techniques to test the effectiveness of financial literacy curricula is delivering a pre- and post-test designed to assess knowledge attainment of participants. Another standard method to measure effectiveness of a program is to administer a self-reported assessment of behavior change or practice of the curricula topics after a certain amount of time has passed to evaluate participant application of the knowledge gained. Utilizing the two methods together produces a more comprehensive view of program effectiveness and can gauge overall usefulness of the specific topics.

**Financial Interventions and Timing**

Although studies differ on the impact that financial education has on building financial capability, several studies reveal that receiving some form of financial education, whether in concert with another service or as a stand-alone course, improves financial knowledge, especially when the financial education is delivered in a way that can inform behavior change (Bayer et al., 2008; Lyons, 2005). A meta-analysis conducted by Fernandes, Lynch, and Netemeyer, examined the relationship of financial literacy and of financial education to financial behaviors in 201 prior studies on the topic (2014). Their findings reveal that timing is most instrumental in behavior change and they conclude that “just-in-time”
financial education, which is tied to the specific behavior it intends to help is far more effective than lengthy interventions that occur years before the behavior it is intended to change takes place (Fernandes, Lynch, Netemeyer, 2014). Therefore, deliberate timing of financial education can be a tool for increasing a person’s overall financial security and in this way “financial education, especially for economically vulnerable families, is an important part of an asset-building agenda (Bell & Lerman, 2005).”

Common Attributes of Curricula
Some shared characteristics of financial education curricula targeted to low-income populations include cost, common topics or content, program length, and format of curricula. Cost of the program to the participant is typically and preferably a free service. Most financial education programs are either available in collaboration with another service being offered, such as housing counseling or job training, or are available in easily accessible places such as public libraries, financial institutions, churches, community centers, or online. Content covered in curricula most commonly includes spending and budgeting, overcoming debt, accessing and handling credit, dealing with financial crises, building familiarity with banking products, and homeownership or housing. The majority of the curricula reviewed in this brief are updated on a fairly regular basis to reflect a rapidly changing financial marketplace and the issues that accompany those changes. While the length and format of financial education curricula can vary based on whether it is obtained through an instructor in a one-on-one setting, in a group education setting, or individually via a website, the average amount of time to complete each lesson or module is between one to two hours. Most

<table>
<thead>
<tr>
<th>Title</th>
<th>Date</th>
<th>Target</th>
<th>Budgeting</th>
<th>Credit</th>
<th>Legal</th>
<th>Benefits</th>
<th>Length</th>
<th>Spanish</th>
<th>Cost</th>
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<tbody>
<tr>
<td>All My Money</td>
<td>2005</td>
<td>Helping Professionals</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>8 lessons</td>
<td>Y</td>
<td>Free</td>
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<tr>
<td>Money Smart</td>
<td>2013</td>
<td>Helping Professionals</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>11 lessons</td>
<td>Y</td>
<td>Free</td>
</tr>
<tr>
<td>Changing Your Life Through Better Money Management</td>
<td>2010</td>
<td>Helping Professionals</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>5 lessons</td>
<td>N</td>
<td>Free</td>
</tr>
<tr>
<td>Smart About Money</td>
<td>2014</td>
<td>Low-income Adults</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>5 lessons</td>
<td>N</td>
<td>Free</td>
</tr>
<tr>
<td>BalanceTrack</td>
<td>2010</td>
<td>Low-income Adults</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>19 modules</td>
<td>Y</td>
<td>Free</td>
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<tr>
<td>Four Cornerstones of Financial Literacy</td>
<td>2012</td>
<td>Helping Professionals</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>4 lessons</td>
<td>N</td>
<td>Free</td>
</tr>
<tr>
<td>Your Money, Your Goals</td>
<td>2014</td>
<td>Helping Professionals</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>14 modules</td>
<td>Y</td>
<td>Free</td>
</tr>
<tr>
<td>AARP Foundation Finances 50+</td>
<td>2014</td>
<td>Helping Professionals</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>3 workshops</td>
<td>Y</td>
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</tr>
</tbody>
</table>
curricula is written to be presented or taught by a helping professional, such as a counselor, but some curricula are available for individuals to access and use on their own. More than half of the curricula reviewed are available in both English and Spanish, which is an important attribute for increasing the accessibility of these programs.

**Recommendations and Next Steps**

The sampling of financial curricula reviewed in this brief is useful as a representative snapshot of the programs that are currently available. Several recommendations for further development of financial curricula aimed at low-income populations are suggested to improve overall program performance, outcomes, and relevance to the targeted demographic.

**Inclusion of Legal and Benefits Information**

A shared theme that we see among the majority of the programs is the lack of information pertaining to legal matters (such as collections, tenant rights, child support, etc.) and public benefits. Legal information would be a valuable addition to curricula due to the complicated and pervasive nature of legal issues occurring in conjunction with financial issues. Legal information need not be equated with legal advice, a frequently cited reason for programs to shy away from offering this area of instruction. Legal topics can instead be integrated into financial curricula in a way that is simply factual and unbiased and therefore alerts a person to the legal ramifications that some financial issues may entail. For instance, in the case of collections, a consumer would benefit from being notified of their rights under the Fair Debt Collection Practices Act.

The lack of public benefits information in the current curricula is an area of improvement advisable for programs aimed at low-income populations. Although navigation of the public benefits system may be available through an alternative service, combining the information associated with a common form of income (i.e. food stamps, WIC, TANF) would alleviate an added step in the process of navigating the complicated public benefits system. Giving people access to increased clarity of information surrounding their benefits and support on how to integrate and manage benefits in relation to the rest of their financial lives, would be an excellent approach to increasing the utility and applicability of financial education.

Both legal and benefit topics would need to be tailored to reflect and adhere to state and local specific information, which may be more challenging when using a prepared financial curriculum program, however the addition of

**Key Recommendations for Financial Curricula Aimed at Low-Income Populations:**

- Incorporate legal information that relates to financial topics commonly encountered (i.e. collections, tenant rights, child support)
- Include information that aids families in navigating and making decisions about public benefits
- Add specific topic areas such as the Affordable Care Act, Medicaid, and the EITC
- Partner with social work programs to help translate research into practical methods of reaching and working with families more successfully
- Integrate methods for changing financial behaviors into curricula design
- Continue to build on the research through testing of financial education impacts and effectiveness

these topic areas would be valuable to the overall usefulness of the programs to the targeted population.

**Addition of Relevant, Specialized Topic Areas**

Many complicated and difficult to interpret federal programs, such as the Affordable Care Act, Medicaid and the Earned Income Tax Credit (EITC) are very rarely touched on specifically in financial education, yet are very important to many households struggling with financial issues. Offering guidance and approaching these areas through the lens of financial education would allow participants to apply information more effectively to their financial lives, as opposed to receiving piecemeal information about each program from various sources in a disjointed manner.

**Collaborate with Social Work Programs**

The University of Maryland and the University of Missouri Social Work Programs are two examples of the intersection between higher education and community outreach initiatives focused on strengthening the financial wellness and economic stability of people in the community. With special focus on vulnerable populations, these programs are a natural fit for
partnering as social workers will often already be present in times of crisis that are tied to financial difficulty. The Consumer Financial Protection Bureau has made strides in these converging fields as well through the creation of *Your Money, Your Goals: A Financial Empowerment Toolkit for Social Services Programs*. This publication acts as a resource for social workers and helping professionals to use with their clients to set goals, choose financial products and build skills in managing money, credit and debt.

**Integrate Behavior Change Techniques into Program Design**

As noted by a recent study by the Organization for Economic Cooperation and Development in 2013, “even when participant knowledge is improved, programs that do not ultimately change behavior on a significant scale may not be deemed successful. Typically, participants declare their intent to change their behavior, but only a minimal fraction actually follow through (Yoong, 2013).” Increasing a participants knowledge, therefore, should not be the main objective of a financial education program, instead programs should be aiming to link the increased knowledge to concrete actions and goals. This recommendation would suggest a more interactive approach to financial education using techniques that force participants to actively engage in setting goals, mapping out intermediate steps to each goal, using practice tools to overcome negative financial behaviors like procrastination or impulsive spending, and implementing tracking and follow-up to the lessons that would create accountability and motivation to act. Although adding this depth of program interaction and support would come at greater cost and resources to a program, many forms of technology could be used to minimize time and cost barriers.

**Continued Research**

Research surrounding the impact of financial education and its effectiveness in promoting positive change for recipients is an area in need of ongoing study. Specifically focusing on the ways that low-income populations acquire and use information, the methods that are most beneficial to these populations, and the real impacts that occur due to financial education would provide greater clarity and therefore ability to offer proven and useful tools.

**Conclusion**

A variety of programs and initiatives have been developed in recent years to promote the financial well-being of low-income adults. Financial education is one such tool that is a commonly used method. Despite the growth and attention to this field many questions of utility, effectiveness, desired outcomes, and measurements of a “successful” financial education program remain. Much of financial education is based on the pretext that if people are given more or better information, they’ll be better off financially. However, increasingly it is apparent that the financial education field needs a better filter and understanding of the interplay between information, behaviors, access, and the multitude of influences the individuals encounter everyday. Shifting the approach of financial education to a more comprehensive method that seeks to increase a person’s financial capability could be a step in the right direction.

**References**

Bell, Elizabeth; Lerman, Robert I. (2005) “Can Financial Literacy Enhance Asset Building?” The Urban Institute, Opportunity and Ownership Project.


Resources
Maryland School of Social Work—Financial Social Work Initiative: https://www.ssw.umaryland.edu/fsww/

University of Missouri School of Social Work—Financial Literacy for Helping Professionals: http://ssw.missouri.edu/mini_finance.html

All My Money Curriculum website: http://web.extension.illinois.edu/allmymoney/curriculum.cfm


Smart About Money website: http://www.smartaboutmoney.org/

BalanceTrack website: http://www.balancepro.org/educationmodules.html

Four Cornerstones of Financial Literacy website: http://www.helpmnsave.org/

My Money, My Goals website: http://www.consumerfinance.gov/your-money-your-goals/


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