CFS Research Brief

April 2014

Center for Financial Security

UNIVERSITY OF WISCONSIN-MADISON

Financial Education and Account Access Among Elementary Students

J. Michael Collins, Elizabeth Odders-White, & Kasey Wiedrich

As policymakers seek to design effective ways to combat low levels of financial capability, schools systems are one potential site for the delivery of financial education. In the current project, field studies tested the effect of elementary classroom-based financial education and access to in-school banking on student financial knowledge, financial behaviors, and attitudes toward financial institutions and saving. Financial education produced significant and persistent gains in financial knowledge, and improved both students' perceptions of how easy it is to save money and students' beliefs that banks offer services that are useful to them. Students with bank accounts demonstrated greater knowledge gains than students receiving financial education alone, and also exhibited increases in their perceptions of the ease of saving and whether they consider banks to be useful. A modest seed incentive was shown to boost account take-up. Given these results, increasing the number of partnerships between local banks and credit unions and school districts is a promising strategy for increasing the financial capability of students, particularly when in-school banking programs can be combined with a financial education curriculum.

Introduction

The recent economic crisis, the increasing variability and complexity of financial products, and the shift toward individuals shouldering more responsibility for financial security has made financial capability an essential skill and intensified pressure on policymakers to design effective ways to combat low levels of financial capability among Americans. Many have looked to school systems, primarily high schools, as a potential setting in which to deliver financial education. However, because research on the effectiveness of high school financial education courses is not promising, some researchers have concluded that high school is too late and teaching financial education in elementary schools will lead to better outcomes. In addition, previous studies suggest that youth account ownership (alone or in tandem with financial education) may have a positive effect on students' financial knowledge, attitudes, and behavior. A growing number of schools and financial institutions are partnering to offer savings account programs to students. Further research is needed to understand the potential benefits of both financial education and financial access for elementary school students.

Some researchers have concluded that high school is too late, and teaching financial education in elementary schools will lead to better outcomes. Further research is needed to understand the potential benefits of both financial education and financial access for elementary school students.

We conducted field studies to test the effect of classroom-based financial education and access to a bank or credit union branch in school, alone and in combination, on students' financial knowledge, financial behaviors, and attitudes toward financial institutions and saving.

Program Design

The study began in the 2011-2012 school year with 4th and 5th grade students in Eau Claire, Wisconsin; the study continued the following school year with 4th graders in Eau Claire and added a second pilot site with 4th graders in Amarillo, Texas. Teachers were prepared via in-service trainings and were compensated for time spent on lesson plans. Classrooms were randomly selected to

participate in financial education during the study (control group classrooms completed the program once the study had ended), and teachers used a standardized curriculum to present the information in either five (Eau Claire) or six (Amarillo) lessons lasting approximately 45 minutes each. In addition, approximately half of the schools in each district had in-school banking accessible to students. Outcome measures included a standardized assessment survey on financial knowledge, attitudes, and behaviors that was given prior to the education program and again after the program ended as well as data on several types of banking activity.

Eau Claire, Wisconsin Pilot. Students in the Eau Claire school district participated in an education program called Money F-I-T, which was adapted from the Council on Economic Education's Financial Fitness for Life curriculum.

In addition, approximately half of the participants had access to in-school banking through School $ense, a program initiated by Royal Credit Union (RCU, a large local credit union) in 1993. The program was well established by the time of the pilot study, and a significant number of students were banked prior to the study. School $ense allows children and a parent or guardian to open a savings account with RCU, which furnishes the required $5 initial deposit.

Children can make deposits and withdrawals at school branches, which are operated weekly at tables outside the cafeteria. Students are encouraged to identify a savings goal and to track progress toward that goal. Students also earn small prizes for every fourth deposit.

Although numerous messaging strategies were used to inform parents about study recruitment, consent in the baseline year was lower than expected, which necessitated the continuation of the pilot for a second year with the new 4th grade class and the selection of a second school district to participate in the pilot.

Baseline Financial Literacy Scores (maximum possible score = 13)

	Eau Claire	*Amarillo*
Student Banked	*6.7*	*5.8*
Student Unbanked	*5.8*	*5.3*
Bank in School	*6.4*	*5.7*
No Bank in School	*6.0*	*5.4*

Amarillo, Texas Pilot. Amarillo, Texas was selected as the second pilot site. Amarillo offered a more diverse setting: 81% of students in the Eau Claire School District were white, compared to 38% of students in the Amarillo School District. During the spring 2013 semester, 4th grade students in Amarillo participated in an educational program similar to Money F-I-T called Smarter Texans Save. The Smarter Texans Save curriculum was also adapted from the Financial Fitness for Life curriculum and largely matched the Money F-I-T curriculum, but some adjustments were made to reflect new grade four personal finance curriculum standards in Texas.

As in Eau Claire, half of the schools in the district also had access to an in-school banking program. Happy State Bank (HSB), a Texas-based community bank, started its Kids' Bank program in 1997. The program allows children and a parent or responsible party to open a joint savings account with HSB with no minimum balance requirements. For the pilot study, children were also allowed to open accounts without the signature of their parents, if the parents lacked the required documentation. Once the account has been established, children can make deposits at the school, or go to any HSB location to make deposits or withdrawals.

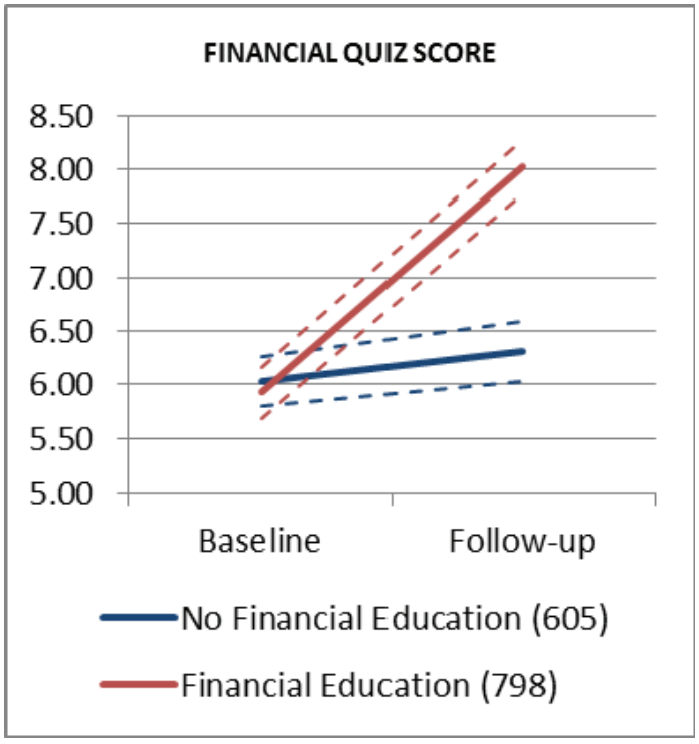
In contrast to Eau Claire, only three of the Amarillo schools had existing Kids' Bank branches before the study. Additional branches were rolled out approximately two weeks prior to the start of the Smarter Texans Save lessons. To increase the number of students who had HSB accounts during the study period, students were randomly selected within banked schools to receive a $25 seed deposit if they opened a Kids' Bank account.

Data Collection. The data collected for the study include a baseline survey of students before the financial education began, a second survey after the financial education was completed, and administrative data from partner financial institutions. In addition, Eau Claire students from the first program year completed the survey again one year later. The survey included a 13-point financial literacy quiz as well as questions measuring self-reported banking status and student attitudes, beliefs, and experiences with financial issues. Financial attitudes and behaviors were captured through questions inquiring how often the student saves money, how important they believe it is to save money, and how difficult they find it to save. The follow-up and baseline quiz questions were

identical, making the difference in the changes in quiz scores between the treatment and control groups the measure of interest. RCU and HSB each provided transactional data for students with bank or credit union accounts whose parents consented to share data. Data on net deposits and the frequency of account activity were used for the analyses.

Key Findings

Knowledge Gains. The results indicate that financial education produced a large improvement in financial knowledge among the elementary students in the sample: compared to the control group, students who participated in the education program answered 1.8 to 2 more financial literacy questions correctly. Students with bank accounts showed even stronger effects; however, because having a bank account was not randomly assigned, this may have been due to a selection effect. There was no evidence that having a bank branch in the school improved financial knowledge.



Banked Status. The likelihood of a student having a bank account was highly correlated with the presence of in-school financial services. In addition, receiving financial education was associated with an approximately 3.5% increase in self-reported banked status among initially unbanked students. However, this effect was predominantly found in Eau Claire, possibly because the credit union branches had been established earlier and the education served as a trigger for students to seek out an account, whereas in Amarillo, the majority of in-school bank branches were new. Somewhat surprisingly, these effects were not more pronounced among students who had access to an in-school bank. In addition, receiving a $25 incentive (only tested in Amarillo) produced a very large increase—18.1%—in banked students, showing that even a modest incentive can boost account take-up.

Deposits and Account Use. For Eau Claire students, although the coefficients were not statistically significant, financial education was associated with higher average net deposits (by about $7.69), and the effect was stronger for students who experienced both education and banking access. In Amarillo, the estimated effects of receiving financial education were statistically significant, but in the opposite direction: financial education was associated with lower net deposits by about $1.10 on average. Overall, the results do not provide conclusive information about whether education boosts deposit activity.

In Eau Claire, having an in-school bank led to more active account use, while in Amarillo, financial education was associated with this outcome.

Changes in financial knowledge, financial attitudes, and self-reported banked status improved between the baseline and initial follow-up survey and remained elevated one year later, providing encouraging evidence of the persistence of the benefits of financial education.

Attitudes. Both financial education and (to a somewhat lesser extent) having in-school access to a bank or credit union produced a modest increase in students' perceptions of how easy it is to save money and an even larger increase in students' beliefs that banks offer services that are useful to them. In contrast, neither of the treatments influenced student reports of how often they found it difficult to avoid spending money immediately or student beliefs that saving is only for adults.

Persistence of Treatment Effects. To assess the per-

sistence of the changes in financial knowledge and attitudes, students in Eau Claire were surveyed one year after they had participated in the financial education program. The results were remarkably positive: all six outcomes (financial literacy score; banked status; and attitudes about spending money immediately, saving being easy, banks being useful, and saving being for adults) improved between the baseline and initial follow-up survey and stayed at those elevated levels one year later. This is encouraging evidence of the persistence of the benefits of financial education. Changes in account activity following financial education did not show the same persistence as other outcomes, although this was measured for only a small subset of students.

Implications for Policy and Research

Financial Education. Classroom-based financial education provides benefits. Even in small amounts, financial education in schools appears to increase financial knowledge and capability. These gains persisted one year later. Financial education was also linked to small increases in rates of students being banked and improved student attitudes toward saving and the usefulness of financial institutions.

These are encouraging findings for proponents of classroom-based financial education. The positive results emerged after five or six short lessons, suggesting that financial education need not be tremendously onerous to deliver in order to be effective. However, to replicate these results, schools and school districts must be willing (and/or encouraged) to invest in materials and in-service training for teachers.

The positive results emerged after five or six short lessons, suggesting that financial education need not be tremendously onerous to deliver in order to be effective. However, to replicate these results, schools and school districts must be willing to invest in materials and in-service training for teachers .

Bank Accounts and In-School Banking. Students learn more when given an opportunity to apply their learning. Students with bank accounts demonstrated greater knowledge gains than students receiving financial education alone, and also exhibited increases in their perceptions of the ease of saving and whether they consider banks to be useful. Increasing the number of partnerships between local banks and credit unions and school districts is a promising strategy for increasing the financial capability of students, particularly when in-school banking programs can be combined with a financial education curriculum.

However, despite the clear benefits of in-school banks, barriers to expanding their reach do exist. Anecdotal experience indicates that not every financial institution is willing to launch in-school banks, and not every school/school district is comfortable with the concept of on-site banking. Additional outreach and guidance to both schools and financial institutions would likely prove valuable in encouraging further growth of this important sector.

There is a growing need for guidance—and/or a summary of existing rules and guidance—that banks and credit unions can use in their efforts to design and implement financial products for the rapidly growing field of children's savings.

Financial Institutions and Children's Savings. There is a growing need for guidance—and/or a summary of existing rules and guidance—that banks and credit unions can use in their efforts to design and create financial products for the rapidly growing field of children's savings. The primary issue is banks' understanding of Customer Identification Program/Know Your Customer (CIP/KYC) rules, and what kinds of documentation and paperwork (e.g., social security numbers or individual tax account numbers, birth certificates, etc.) are required. Some of the financial institutions that are eager to enter the children's savings marketplace are encountering barriers, perceived or real, that are significantly hindering their ability to do so. Clearly, banks need a clearer understanding of what is possible and permissible in this marketplace.

Incentives. Even modest incentives such as the $25 seed deposit offered to students in Amarillo can boost account take-up. Savings initiatives interested in offering an incentive or a match frequently question what incentive is the right one and what amount is optimal. Initiatives whose programs don't have account withdrawal restrictions are also interested in whether the seed deposit will be withdrawn. The results from Amarillo suggest that even a modest incentive can effectively encourage

account take-up, and even without a withdrawal restriction, students and their families leave the seed deposit in their accounts.

Future Research

Future research should examine the long-term outcomes associated with these interventions and test strategies for increasing their impact. First, testing different approaches to financial education would help the field better understand how to effectively disseminate financial knowledge and encourage good financial habit formation. Second, researchers should explore how to make financial access most effective. Third, more needs to be understood about the long-term effects of financial education and financial access. For this to be possible, high-quality, longitudinal data need to be collected. Fourth, a large sample of students is necessary to better control for school and teacher effects; given the patterns of account use observed in this study, an ideal sample would be closer to 2,500 to 3,000 students. Despite extensive recruitment efforts, parental involvement was the biggest challenge to obtaining a sufficient sample size. Using innovative methods to gain parents' consent, such as finding opportunities at school functions to obtain consent in person or getting consent online, may improve response rates. Conducting a formal process evaluation of the pilot's implementation was outside the scope of the current study, but this type of documentation of best practices, particularly around banking in schools, is needed to facilitate successful partnerships between schools and financial institutions.

Acknowledgments

This program would not have been possible without funding and support from the U.S. Department of the Treasury, the cooperation of the Eau Claire Area School District and Royal Credit Union in Wisconsin, and the Amarillo Independent School District and Happy State Bank in Texas. We are also grateful to Laura Rosen from the Center for Public Policy Priorities (CPPP) and Laura Ewing from the Texas Council on Economic Education's (TCEE), without whom the Amarillo pilot could not have occurred. Michael Batty, Nilton Porto and Karen Walsh from UW-Madison provided invaluable research assistance. Thank you also to Dr. William Elliott III for the guidance during the design and implementation of the pilots.

The Center for Financial Security

The Center for Financial Security at the University of Wisconsin-Madison conducts applied research, develops programs and evaluates strategies that help policymakers and practitioners to engage vulnerable populations in efforts which build financial capacity. The CFS engages researchers and graduate students through interdisciplinary partnerships with the goal of identifying the role of products, policies, advice and information on overcoming personal financial challenges.

Corporation for Enterprise Development

CFED expands economic opportunity by helping Americans start and grow businesses, go to college, own a home and save for their families' economic futures. We identify promising ideas, test and refine them in communities to find out what works, craft policies and products to help good ideas reach scale and develop partnerships to promote lasting change. We bring together community practice, public policy and private markets in new and effective ways to achieve greater economic impact. Established in 1979 as the Corporation for Enterprise Development, CFED is a nonprofit organization that works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

Center for Financial Security

UNIVERSITY OF WISCONSIN-MADISON

UW-Madison School of Human Ecology
Nancy Nicholas Hall
1300 Linden Drive, Suite 4285
Madison, WI 53706
cfs@mailplus.wisc.edu
cfs.wisc.edu
Facebook.com/UWMadisonCFS
@UWMadisonCFS