

Strategies for Success in Financial Education

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The Federal Reserve Bank of Chicago will host a conference, Financial Literacy, Financial Education, and the Federal Reserve: Strategies for Success, on September 11, 2009. This article reviews some of the financial education activities throughout the Federal Reserve System.

Our upcoming conference will bring together individuals within the Federal Reserve system and representatives of partner organizations to share strategies for designing successful financial education programs, discuss related research findings, and learn from one another about what works and what could be improved. This *Chicago Fed Letter* covers a sampling of the Federal Reserve System's initiatives that provide opportunities for people to increase their financial literacy and learn more about the Fed.

The regional Feds and the Federal Reserve Board operate a range of programs to help individuals become informed consumers and better understand the variety of financial products that are available to them. Some of these initiatives target large and diverse groups that make up a significant share of the local community, e.g., homeowners, low-income households, or school-age children, while other initiatives focus on a very specific audience that may represent a much smaller share of the overall population, e.g., immigrants or military personnel. The delivery methods also vary considerably depending on the type of initiative and the needs of the local population. These methods include seminars, printed materials, web-based information, videos, research, as well as cooperative endeavors with other institutions. Some strategies are shared across several Federal Reserve Banks. Other strategies are the work of a single Federal Reserve Bank and reflect the effectiveness of a specific approach tailored to a particular Federal Reserve District. The following discussion organizes these initiatives into five categories: curriculum development for the classroom; the development of other educational materials; partnerships with other organizations; coordination of community resources; and evaluation of financial education programs. The projects that we highlight represent a small subset of the financial education efforts taking place across the Federal Reserve System.¹

Curriculum development

One approach that several regional Feds have taken to promote financial understanding is to develop content for financial education and economics courses, many of them designed specifically for lower- and middle-income consumers. Consumers who take these courses build personal finance skills that can help them make more informed financial decisions. An example of this work is the *Money Smart Financial Planning Curriculum: Building Wealth and Financial Stability for the Future*, developed in a partnership between the Atlanta Fed and the Federal Deposit Insurance Corporation's (FDIC) Atlanta Office. This curriculum adds six new modules to the FDIC's *Money Smart Financial Education* program, namely, fundamentals of financial planning, insurance planning, retirement planning, estate planning, income taxes, and investment planning. It is intended to encourage low- and middle-income individuals to see long-term financial stability as an achievable goal for themselves and their families. Staff from both the Atlanta Fed and the FDIC's Atlanta Office conduct train-the-trainer sessions across the country for industry professionals, including financial advisors, human resources benefit coordinators, and insurance agents, who then offer the courses to their target populations.

Another financial literacy curriculum offered by the Federal Reserve System is called *It's Your Paycheck!*. The program was developed by the St. Louis Fed in 2008 in response to a new requirement that high school students in Missouri and Tennessee receive instruction in personal finance in order to graduate. The curriculum is divided into nine lessons that correspond to the National Personal Finance Standards and the National Standards in Economics. These include lessons on tax returns, bank accounts, savings, credit scores, and payday loans. The curriculum is taught by high school personal finance, business, and social studies teachers. (The effectiveness of this program is being evaluated by the St. Louis Fed and Atlanta Fed.)

Development of other educational materials

In addition to developing formal courses, the regional Feds also develop other materials to teach personal finance. The most popular personal financial education resource at the Dallas Fed is a free, downloadable version of its publication *Building Wealth: A Beginner's Guide to Securing Your Financial Future*. The guide focuses on the role of wealth accumulation in financial stability. It introduces individuals and families—regardless of their income level—to the idea of developing a plan for building personal wealth. The guide provides the basics on budgeting, saving, investing, managing debt, and understanding credit reports and insurance; it also gives tips on how to avoid identity theft. The audience for this information ranges from lenders, credit counselors, and real estate professionals to schools and nonprofit community organizations.

To convey the importance of bank account ownership, the Boston Fed produced the video *Lessons from a Storm: Banking for Safety*. This video depicts the experiences of families attempting to reestablish a firm financial footing after Hurricane Katrina. The video encourages individuals to open and maintain a bank account and reinforces the message that not having access to mainstream financial services can have dire consequences in the case of a disaster. The video tells the stories of families who learned how important a bank account was when they tried to receive paychecks, Social Security payments, and other benefits after the hurricane. It gives information about the security, reliability, and convenience that come with having a bank account. It is distributed through the regional Feds and the Federal Reserve Board.

In an initiative called Back to School with the Fed, the economic education specialists, economists, and other content experts at the Richmond Fed train bankers to teach a variety of economic and financial education topics in K–12 classrooms. This program helps the Richmond Fed to reach schools in all areas of its district. This initiative grew out of inquiries from bankers seeking help in making presentations in K–12 classrooms and from teachers looking for speakers who could discuss economic and financial topics. The first Back to School training took place in the spring of 2007, and the Richmond Fed has a waiting list each time it's offered. Many of the bankers return, looking for new information that they can use in upcoming visits to the classrooms in their areas.

Partnerships with other organizations

In addition to developing their own educational resources, regional Feds actively partner with organizations in their communities to deliver financial education programming. The Cleveland Fed followed this model in its effort to raise awareness of the importance of saving. Working with the Consumer Federation of America, the WECO Fund (a community development organization), and the Consumer Credit Counseling Services of Northeastern Ohio, the Cleveland Fed played a significant role in 2001 in launching Cleveland Saves—a social marketing initiative to encourage lower-income households to save money. Cleveland Saves recruits “savers,” who commit to the program and pledge to save. Savers are given the chance to open a free bank account. Savers also receive newsletters and educational materials about strategies to help them achieve their financial goals. They are offered opportunities to participate in financial management classes, meet one-on-one with volunteer financial planners, and attend community events aimed at promoting saving. Savers are exposed to a continuous stream of information as a way to reinforce behavioral change. At the launch of the program, the Cleveland Fed also brought together representatives from the public and private sectors to help promote the program as widely as possible. Cleveland Saves became the pilot program for the national America Saves initiative—an umbrella organization of local savings programs—which aims to spread this savings model to cities across the country.

In a project focusing on the workplace as an important venue for financial education, the Kansas City Fed partnered with the United Way of the Midlands, Omaha, Nebraska, to create the Workplace Financial Education Program. The program encourages employers to offer financial education classes to employees as a way to retain workers, bolster the number of people who use direct deposit, and generally reduce financial anxiety among employees. It is also intended to reduce employee dependence on assistance from United Way-funded programs. When the program began in 2005, the Kansas City Fed and the United Way held meetings with banks and credit unions to develop the specific curriculum topics that would be most useful to potential bank customers. They identified the importance of one-on-one counseling sessions with employees, where individuals would feel comfortable discussing personal financial goals. The Kansas City Fed and the United Way selected third-party trainers with expertise in teaching adults about financial goal setting, the mechanics of

saving, and debt management and retirement, among other topics. Employees and employers split the cost of these services. (The Kansas City Fed is also evaluating the program's effectiveness.)

The New York Fed has put its data analysis capabilities to work for community organizations in its region. New York Fed staff have undertaken extensive analyses of mortgage performance data to identify hot spots of foreclosure activity. This information enables housing service providers to plan, scale, and prioritize assistance to distressed borrowers. New York Fed staff also make presentations on their research and participate in regional foreclosure prevention task forces. In addition, they leverage the analytical work of New York Fed economists and other experts to inform their provision of technical assistance and advice on foreclosure prevention policies.

Getting the word out about community-based financial education resources is the impetus behind the Chicago Fed's Money Smart Week. The program highlights the importance of financial and economic education for the Chicago region. It consists of a series of free classes and activities designed to help consumers better manage their personal finances. The Chicago Fed invites partner organizations—financial institutions, nonprofits, libraries, schools, government agencies, and local businesses—to present on a variety of topics. The sessions cover conventional themes, such as home buying and credit scores, as well as niche topics, such as funeral planning and shopping for groceries. Chicago Fed staff vet organizations interested in participating, organize monthly meetings with the planning team in the city, administer an automated system that generates a calendar of activities, and help to market and promote the events. The number of partners has grown enormously since the program began in Chicago in 2002. The Money Smart team has also developed a “How To” kit of best practices for launching a Money Smart campaign in other cities. More than 25 cities now hold their own Money Smart Week; they include Detroit, Milwaukee, Indianapolis, and Des Moines in the Chicago Fed's district, as well as several cities outside the district.

Coordination of community resources

A related type of interaction between Federal Reserve Banks and community organizations involves coordinating programs and building capacity among service providers. The Minneapolis Fed provides this type of support to local and regional financial literacy providers through the Montana Financial Education Coalition. Minneapolis Fed staff based in Montana are part of a coalition of about 90 organizations, including schools, banks, professional societies, and other financial service providers. The coalition hosts statewide conferences, serves as a clearinghouse for Montana financial education providers, facilitates partnerships among Montana organizations, and seeks funding opportunities for partnering organizations. It provides a unified voice around common issues of interest, including integrating financial education into school core curriculums. Through the coalition, the Minneapolis Fed identifies organizations with particular areas of expertise to hold workshops in communities throughout Montana. The coalition helps the Minneapolis Fed to bring financial education awareness and resources to remote and small communities that do not normally have convenient physical access to financial literacy services and programs.

The San Francisco Fed began participating in a local effort called the San Francisco Financial Education Network in April 2009. The purpose of this network is to convene financial education providers throughout the city to share information and streamline service provision at the local level. The San Francisco Financial Education Network helps identify the credit counseling, home buyer education, asset-building, and financial counseling services offered locally, as well as populations less likely to have access to and information on these programs. The goal is to identify service gaps, improve referral networks, and increase visibility of these services at the city level, through education fairs, an online calendar, marketing campaigns, and other promotional events. Through its participation, the San Francisco Fed aims to improve service delivery, leverage funding, and make it easier for people to find appropriate services. Along with the San Francisco Fed, representatives from seven financial education providers, the City Treasurer's Office, the United Way of the Bay Area, and the Charles Schwab Foundation have participated in meetings thus far.

Evaluation of financial education programs

An additional role that the Federal Reserve Banks play is to apply their research expertise to evaluate financial education programs. As mentioned before, the effectiveness of the *It's Your Paycheck!* curriculum is being evaluated by the St. Louis Fed and Atlanta Fed, and the Workplace Financial Education Program in Omaha, Nebraska, is being evaluated by the Kansas City

Fed. In addition, the Philadelphia Fed is conducting a study of the effectiveness of pre-purchase homeownership counseling on consumer credit behavior and homeownership outcomes. The study grew out of a workshop on homeownership education that was held at the Philadelphia Fed in 2000. The Philadelphia Fed works with partners to provide the counseling and to follow up with participants. The Consumer Credit Counseling Service of Delaware Valley provides free home buyer workshops and one-on-one counseling services. Abt Associates, a research and consulting firm, tracks study participants over time. The purpose of the project is to see whether home buyer counseling changes financial behavior of participants after they become homeowners. The study assesses the effectiveness of financial management skill-building in regard to home purchases, defaults, and delinquencies, as well as refinancing. Participants are studied for five years after they receive counseling.

In related work, staff at the Federal Reserve Board, together with the U.S. Department of Defense, Army Emergency Relief, and San Diego City College, have conducted a longitudinal study of the effectiveness of a two-day financial education course for soldiers. The study compares two groups of soldiers—one that received the financial education course and another that did not. Preliminary findings indicate that soldiers who took the financial education course are more likely to pay off their credit cards in full and participate in retirement plans and less likely to pay bills late or to pay overdraft fees.

Conclusion

The initiatives described here are a sample of the many financial education activities taking place across the Federal Reserve System. The topics these initiatives cover include financial skill building, economic education, bank account ownership, financial planning, wealth accumulation, consumer protection, and foreclosures—issues that affect many people at different stages of their lives. The methods for getting information on these topics into the hands of consumers include publications, meetings, classes, exhibits, competitions, data analysis, and research.

While the topics discussed and the methods to reach the targeted audiences may differ across locations, the 12 Federal Reserve Banks and the Federal Reserve Board bring common strengths to bear on many of these initiatives. One of the strengths of the regional Feds with respect to financial literacy is their ability to rigorously analyze the educational needs in their districts. The regional Feds continuously assess the financial challenges facing households as well as opportunities to improve the financial information and training available to the public. In addition, Federal Reserve staff have the technical expertise to develop content, curriculum, and resource guides; to analyze data; to train frontline financial educators; and to design and conduct program evaluations. They forge relationships with financial services providers, consumer advocates, and other community organizations in their districts, and can leverage these relationships to develop and support educational programs. Each regional Fed is in a position to identify the best partners in its own community and to develop coalitions with other organizations that are responsive to local conditions. Finally, because the regional Feds and the Federal Reserve Board are not trying to sell a particular product or to promote a specific organization or approach, they bring credibility to their partners and enhance the usefulness of the financial information they provide to consumers.

¹ For additional information on Federal Reserve System activities related to financial education, see Jeanne M. Hogarth, 2008, “The case for financial education,” paper at Invitational Forum on Credit and Counseling, University of Cambridge, Magdalene College, Cambridge, UK; and Sandra F. Braunstein, 2009, testimony before the U.S. Senate, Committee on Homeland Security and Governmental Affairs, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Washington, DC, April 29, available at www.federalreserve.gov/newsevents/testimony/braunstein20090429a.htm.