Learning and Growing:
Lessons Learned in Financial Education

By Ted Beck and Brent Neiser
National Endowment for Financial Education

The National Endowment for Financial Education® (NEFE®) is a private, nonprofit, nonpartisan and noncommercial foundation committed to increasing access to financial education and to empowering individuals to make positive and sound financial decisions. For more than 30 years, NEFE has provided funding, logistical support, and expertise for financial education programs and materials. In addition, NEFE funds research and development grants that advance innovative thinking and contribute to our understanding of financial behavior. Through these programs and research studies, NEFE has developed its own perspective on best practices, which are shared in this article by Ted Beck, President and CEO, and Brent Neiser, Director of Strategic Programs and Alliances. For more information on NEFE, visit their website at: www.nefe.org

Financial security is an important concern for many Americans, and promoting financial capability is a necessary part of strengthening the safety net for all Americans. Given the current economic climate, the mission of financial education has never been more critical. In this era of volatile financial markets, labor market uncertainty, rising debt, and insufficient savings, the ability to manage one's personal finances is becoming increasingly important. At NEFE, we believe that by building strong partnerships and working together toward the common goal of improving financial literacy for all Americans, we can reach individuals with the positive message that they have the ability to take charge of their financial well-being. We see this as more than financial education; rather, increasing an individual's financial capability involves expanding knowledge, awareness, positive behavior change and action throughout one's lifespan.

Doing so is far from easy, however, and often there is limited information on what works. In this article, we present some of the lessons learned from our financial education efforts, and also consider how to advance the field going forward.

One Size Does Not Fit All

One of the core lessons we have learned is that financial education programs need to be tailored to different market segments, and that no one program can meet the needs of all consumers. And while NEFE focuses largely on those who are "underserved" by the financial system, our definition of "underserved" is much more expansive in scope than many others focused on financial education. We define the underserved to be the vast majority of Americans—about 80 percent—without access to professional financial advice or sufficient investible assets to merit such service. This lack of professional financial advice makes this group of Americans particularly prone to poor decisions and financial instability. While NEFE strives to reach as many audiences as possible, particular emphasis is placed on those who operate outside of mainstream financial services and are most at-risk for experiencing significant financial difficulties. These include youth, low-income individuals and families, minority populations, and people facing special challenges or other life-changing events.

These underserved populations often have multiple barriers to financial stability. For example, they may lack the motivation or time to attend a financial education class, or they may have suffered a financial setback such as an unexpected medical expense or job loss. Many are unbanked due to a variety of reasons. Some may have a blemished ChexSystems record, or have had a negative banking experience in their past. Others may experience cultural barriers to banking, and need more time to learn about and feel comfortable with the products and processes associated with a mainstream savings or checking account. Language is often a substantial obstacle.

The intergenerational effects of poverty and the resulting lack of experience with financial institutions and savings products also can hamper financial capability and long-term asset building. Those who have been entrenched in poverty generally are focused on income rather than the longer-term acquisition and development of assets. This behavior is exacerbated in crisis situations. Long-term financial issues that need to be addressed often are masked by more immediate problems, such as not being able to pay for rent or utilities. When these crises surface, the natural response is to focus on getting through the crisis, as opposed to planning for the future. People in crisis may not be in a frame of mind to learn–they're just trying to get by.

Each person has a unique financial literacy context, and each person is at a different stage within their economic lifespan.

Family attitudes also play a huge role in money management across all demographics and income levels; no one is exempt from their influence. However, belief systems and unhealthy attitudes become more impactful and significant when money reserves are low. Negative thoughts surrounding finances hinder positive behavior change, especially when a person was raised in a family that didn't save or was particularly inflexible with its spending habits. In these cases, the biggest challenges are changing a person's attitude and approach to managing money, especially when the lessons presented run counter to a family's influence.

A one-size-fits-all approach to financial education simply misses many of these populations. Each person has a unique financial literacy context, and each person is at a different stage within their economic lifespan. They may be preparing for college, entering the workforce while trying to negotiate benefits packages, buying a home, or planning for retirement. There are differences in culture, language, age, experience, and asset levels. Programs need to be customized as much as possible across these basic individual factors, while keeping other factors in mind, such as the use of technology or incorporating community values. More importantly, financial educators need to move away from framing programs around middle class assumptions. It's all too easy to assume that every household is in a position of financial stability and is ready to save. A back-to-basics approach needs to be applied, covering topics such as establishing an emergency fund, negotiating with creditors, finding access to social services, and building job opportunities.

Collaborations with more than 100 organizations, including 100 Black Men of America, Inc., American Indian College Fund, I Have a Dream Foundation®, League of United Latin American Citizens, National Coalition of Asian Pacific Americans Community Development, and the United Negro College Fund, continue to help NEFE better reach various audiences to provide them with necessary tools and encouragement.

Learning is a Continuous Process

It's important to remember that just as one size does not fit all, one time does not help all. Educational resources must be provided throughout a person's economic lifetime. To truly touch and change the lives of people in financial need, we have to provide them with financial knowledge at different stages in their lives, from childhood through retirement.

Financial education is a continuous process; it's a life skill that one constantly develops. Education should be embedded at home and in schools, faith and community-based organizations, and workplaces. NEFE evaluates potential partners based on their ability to fill a financial education need in one's life or provide a continuum of financial literacy education. Having a student go through a financial education program in high school or providing an employee with financial education in the workplace is a start, but it is not enough. "Just-in-time" financial information must be available throughout each stage of life so individuals can acquire knowledge and change behavior during points in their lives when they are motivated to change or must make an important financial decision (also known as a teachable moment).

Reach People at Teachable Moments

Over the years, NEFE has found that the most effective financial education comes at teachable moments. Teachable moments occur when people are motivated by a life circumstance—for example, buying their first home or facing foreclosure—to educate themselves toward the better management of their personal finances. On their own, these events may not necessarily move someone to change behavior, but intervention added to an impending situation can help make the financial education seem more relevant and encourage people to make the link between education and adopting new and helpful financial behaviors. Yet educators must realize that these moments often take place in a very small window of time, and that "just in time" delivery of the message is critical. Partners in the decision making process are crucial to effective "just-in-time" and "just-in-place" delivery. For example, banks and mortgage brokers open the educational door to first-time home buyers, while medical practitioners can connect patients facing a long-term illness or disability with appropriate financial education.

Financial educational materials also are more effective when they are targeted to a specific stage of life. For example, the NEFE High School Financial Planning Program® (HSFPP) reaches young people at a time when they are developing financial habits that will shape their future. The program consists of a complete money management curriculum covering the financial planning process, careers, budgeting, saving and investing, credit, and insurance. So far, more than six million student guides have been sent out to an estimated 200,000 classrooms—all at no cost. This curriculum is correlated to educational standards in all 50 states and benchmarked against seven national educational standards, and adopts a competency-based format that takes students beyond passive learning to actively doing what the program teaches.

Recognize the Importance of Partnerships

In nearly every aspect of its work, NEFE forms partnerships and pursues collaborations with other entities, including nonprofit organizations and government, to provide financial education to members of the public. We believe that a partnership approach represents the most effective means of leveraging resources and expertise on a large-scale, while addressing the different educational needs of diverse segments of the public.

We believe that a partnership approach represents the most effective means of leveraging resources and expertise on a large-scale, while addressing the different educational needs of diverse segments of the public.

NEFE collaborates with a variety of partners to provide financial education resources to populations in specific situations or facing particular challenges. For example, the American Red Cross joined NEFE and the American Institute of Certified Public Accountants in the development of a resource booklet to help survivors of natural and man-made disasters recover financially. Subsequently, this team developed a second booklet to address disaster preparedness. NEFE also worked with the Association for Enterprise Opportunity to create a resource to help underserved entrepreneurs organize their personal and business finances so they could make fledgling businesses successful. Recently, NEFE has worked with Volunteer Income Tax Assistance sites to capitalize on tax time as a teachable moment, which helps families plan for goals such as purchasing a car, establishing an emergency fund, preparing for retirement, reducing debt, or avoiding predatory lending. (For more on this topic, see the article "Tax Time as an Asset Building Opportunity")

Messaging Matters

Repetition works. Sending the same messages to the public over and over again, from different sources and through different channels, eventually can motivate people to change negative financial behavior into positive behavior. Fundamental messages include: how the financial choices individuals make today affect the attainment of their goals tomorrow; the value of saving; the importance of making sound investment decisions; the critical need to prepare financially for retirement; and the importance of financial education for the nation's youth. Whatever the messages, however, making them clear and relevant to the context of people's lives improves their success.

NEFE also builds content-specific research-based messaging for targeted audiences. Our 2007 Retirement Income Decumulation Think Tank explored the choices and decisions at-risk middle-income retirees must make while drawing down their limited resources. Participants from various fields representing financial planning professionals, academic institutions, think tanks, financial services industries, regulatory associations, and the federal government brainstormed issues and messages of con-

Consumers are more than capable of managing their money and making sound decisions, and we believe that they can do so as long as they have access to the proper tools and support.

siderable significance in retirement. The think tank team subsequently developed effective messages to help retirees avoid making irreversible decisions that have negative impacts on their nest egg, and to help them optimize what assets they do have. For example, one message states: *Aim to work at least until your full retirement age (66-67). This produces many benefits, as delaying receipt of Social Security results in a much larger monthly payment, and all Social Security retirement benefits are adjusted for inflation.* Another message warns: *Don't "cash out" your retirement 401(k) savings before age 59 . This will always cost you money, and there are better ways to pay yourself through your retirement years, including using a rollover or keeping money in your company plan.* In total, the initiative developed messages for eight important areas of financial decision making, including Work, Social Security, The House, Insurance Products, Defined Benefit Pensions, Defined Contribution Plans, Debt, and Fraud. View all of the messages at the consumer-centric Web site, www.decumulation.org.

Spendster.org is another NEFE site that focuses on changing spending behavior. The website allows people to share the purchases they now regret while they rate and discuss those of others. It also includes tools to calculate how costly items really are. The message comes across loud and clear: We often don't need the things we buy, and the money we spend can be saved and invested towards achieving future financial goals.

Focus on Evaluation and Behavior Change

Successful financial education ideally leads to new knowledge, increased skills, changed attitudes, modified behavior, and ultimately, improved financial well-being. It's critical that financial education programs include an evaluation component to determine if they are achieving these desired outcomes. NEFE developed an online Evaluation Toolkit as a resource to help evaluate the effectiveness of financial education programs. The Evaluation Toolkit, available online at www.nefe.org/eval, is designed to help financial educators to first understand evaluation concepts and then efficiently apply them to their educational programs so they can document the impact their programs have on participants.

Not only is it important to measure behavioral change, but it is critical to understand what influences behavioral change. NEFE funds research that enhances the understanding of financial behavior and perceived challenges to changing behavior. One study partially funded by NEFE and conducted by the University of Arizona and Arizona Pathways to Life Success for University Students (APLUS) explored the diverse social factors that influence the financial attitudes and behaviors of today's young adults. Those attitudes and behaviors can determine their financial success or failure as adults. The study found that parents have more influence over their children's financial knowledge, attitudes, and behaviors than work experience and high school financial education combined. Other current NEFE grants are researching which educational methods help particular groups of people learn best, and common response patterns to debt consolidation ads and offers. Our most recent symposium, titled "Financial Realities of Young Adults: Building a Financial Education Framework that is Relevant and Accessible," examined the unique characteristics and financial realities of today's young people, including learning whom they trust and how they get their information, as well as effective channels for targeting Americans ages 18-34 with attention-grabbing, educational messages that will help them make informed financial decisions.

A Call for More Involvement

The current economy creates an unprecedented teachable moment to promote healthy financial attitudes, behaviors, and habits among all Americans. There's always more room for increased research and funding, but we also need to focus on the importance of providing positive encouragement. Consumers are more than capable of managing their money and making sound decisions, and we believe that they can do so as long as they have access to the proper tools and support. We all have a unique opportunity to encourage savings and responsible fiscal management. Better yet, we have an opportunity to learn from each other's best practices as we reach out to empower all Americans to take control of their financial well-being. CI