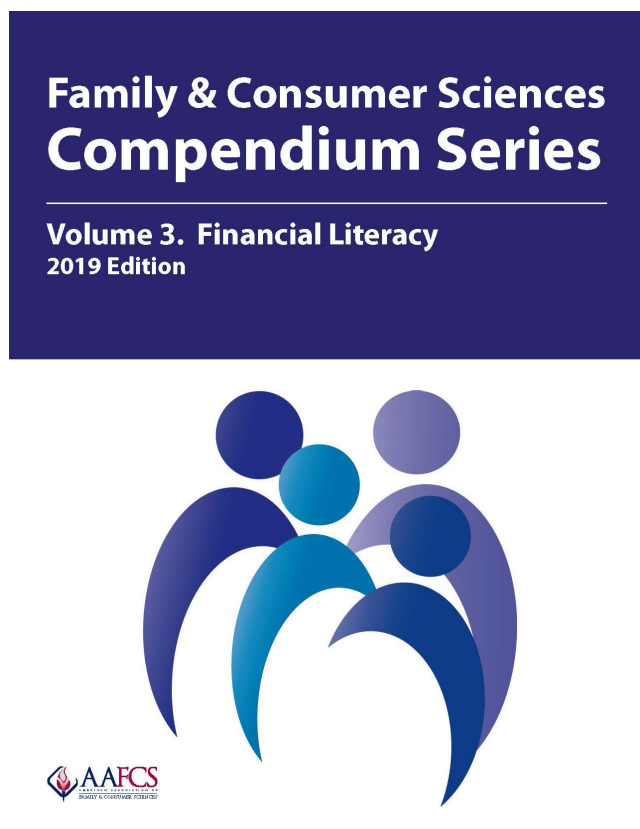


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Family & Consumer Sciences Compendium Series

Volume 3. Financial Literacy 2019 Edition

Excerpt from Forthcoming Publication
American Association of Family & Consumer Sciences

Introduction

By Barbara M. O'Neill, Ph.D., CFP®, CFCS, CPFEE
Distinguished Professor, Rutgers University
boneill@njaes.rutgers.edu

Financial literacy is a set of knowledge and skills that informs and enhances personal finance decision-making. It is an essential personal trait that, unfortunately, many people do not possess. According to the S&P Global Financial Literacy [Survey](#), there are low levels of financial literacy around the world. *Numeracy* and *inflation* are the most understood concepts; *risk diversification* is the least understood concept. Similarly, the 2015 U.S. National Financial Capability [Study](#) (NFCS) found evidence of a lack of understanding of basic personal finance concepts such as *inflation*, *investment risk*, and *compound interest*. In a third source of data about the state of financial literacy in America, the [P-Fin Index](#) from the Global Financial Literacy Excellence Center (GFLEC), U.S. adults answered 50% of the questions correctly, on average, and had the lowest scores on comprehending risk and its implications.

In a Council for Economic Education [blog](#) post several years ago, I noted that lack of financial literacy handicaps anyone seeking to become financially secure, and thus affects the country as a whole (e.g., low savings rates, high household debt, stock market panics). It is particularly acute among specific demographic [groups](#) including women, minorities, and those with low education. **The U.S. simply cannot continue to have so many citizens unable to manage their finances, making serious money mistakes, and waiting for chance—not choice—to determine their financial future.**

The term *financial fragility* describes the inability of households to cope with short-term emergency expenses such as a car repair or sick child or pet. A 2017 [study](#) by the Global Financial Literacy Excellence Center defined financial fragility as the inability to come up with \$2,000 within a month for an unexpected expense. About 36% of NFCS respondents could be classified as financially fragile in 2015. Key factors contributing to financial fragility were too few assets, too much debt, and low financial literacy. Another measure of financial fragility, used by the Federal Reserve Board, is the ability to access \$400 immediately for an emergency event. Its 2018 [Report on the Economic Well-Being of U.S. Households](#) found that four in 10 adults could not cover an unexpected \$400 expense without selling something or borrowing money.

These statistics alone are shocking and powerful but nothing illustrated Americans' financial fragility in as graphic detail as the 2018–2019 federal government shutdown—the longest in the nation's history. During those 35 days, tens of thousands of “paycheck to paycheck” workers struggled to pay household expenses when their income was interrupted. Nightly news reports showed previously stable households going to food banks, rationing prescriptions, falling behind on household expense payments, and applying for public assistance. A subsequent [study](#) found that, in a majority of cases, federal workers burned through most or all of their emergency savings. Even more sobering, federal workers have a higher rate of emergency savings than American workers as a whole do!

Change Is Afoot!

The good news is that the pendulum could be swinging toward a more financially literate populace. Several comprehensive national financial education advocacy efforts are underway and more states are passing (or at least considering) personal finance course mandates, according to the Champlain College [Center](#) for Financial Literacy. A [study](#) that I conducted with Jing Xiao found that financial education in *any* setting and in three specific settings (high school, college, and workplace) showed positive associations with five different measures of financial capability, including objective financial knowledge (NFCS quiz scores). Similarly, a [study](#) by Walstad et al. found evidence that financial education, when it is delivered well, significantly influenced the financial knowledge of high school students. A [study](#) funded by the National Endowment for Financial Education (NEFE) found that students in states with mandated personal finance graduation requirements made better decisions about paying for college (e.g., increased applications for aid and grants and decreased credit card balances).

The Council for Economic Education's biennial [Survey of the States](#) found, in early 2018, that no new states added a personal finance course to their grade K-12 standards since 2016. Only one third of states required students to graduate having taken a personal finance course and only seven required testing to accompany classroom instruction. Every year Champlain College [tracks](#) the top 10 states for financial literacy with letter grades based on factors such as course requirements and testing. From Fall 2018 through Spring 2019, however, a number of state financial education mandates were passed, including a [middle school](#) financial education mandate in my home state—New Jersey. Future tracking reports from the Council for Economic Education and Champlain College will incorporate these new state mandates as will the Next Gen Personal Finance (NGPF) School Search [Tool](#) that is tracking programs in 11,000 high schools across the U.S.

Fortunately, there are several high-quality national sources of free youth financial education materials and professional development for educators including the following organizations:

- ◆ Money Smart for Young People (Federal Deposit Insurance Corporation, FDIC): <https://www.fdic.gov/consumers/consumer/moneysmart/young.html>
- ◆ NEFE High School Financial Planning Program (HSFPP): <https://www.hsfpp.org/>
- ◆ Next Gen Personal Finance (NGPF): <https://www.ngpf.org/>
- ◆ Take Charge Today: <https://takecharge.today.arizona.edu/>

In addition, the Jump\$tart Coalition for Personal Financial Literacy (a.k.a., National Jump\$tart) sponsors an annual conference for financial educators and maintains a [clearinghouse](#) of vetted financial education materials from a variety of public and private sources, as does the National Education Association ([NEA](#)). In addition, K-12 teachers freely share lesson plans and teaching methodologies with each other using online platforms such as Twitter chats (example: #busedu), NGPF's "FinLit Fanatics" Facebook group, and the Facebook group for Family and Consumer Sciences Teachers. College faculty members such as Professor Annamaria Lusvardi post links to their [course](#) materials, and the federal government Financial Literacy and Education Commission (FLEC) maintains a [clearinghouse](#) of research studies about financial literacy and financial education topics.

There is, perhaps, no better time to be involved with financial education than right now. Stars have been aligning recently with respect to states approving course mandates, new professional development opportunities for teachers, and increased availability of interactive learning activities including new simulation games such as [STAX](#), [Payback](#), and [Shady Sam](#). As noted above, financial education advocacy efforts with BHAGS (big, hairy, audacious goals) are now underway. This can only bode well for future expansion of financial education mandates and student outreach nationwide.

Next Gen Personal Finance (NGPF) set a BHAG called Mission 2030: “100% of U.S. high schoolers will have guaranteed access to at least one semester of personal finance instruction before graduation.” The Jump\$tart Coalition (for which AAFCS serves on its Board of Directors) called its advocacy effort, Project Groundswell, which has a goal to increase classroom-based financial education by 25% and teacher training in personal finance by 25% by the end of 2025. The basic premise of Project Groundswell is to harness the power of Jump\$tart partners, parents, and other advocates to “make the case” for financial education. An aligned [web site](#) called “Check Your School” allows users to check if their local school has financial education courses and to add a school if courses exist but are not listed. In addition, GFLEC launched [Fast Lane](#), a resource center for anyone interested in promoting financial education in high school.

I asked financial education experts to weigh in with their thoughts about financial education. Staff at NEFE (Brent Neiser, Katie Sauer, and Susan Sharkey) noted that financial education is “a systematic approach to cultivating financial knowledge and financial decision-making skills.” They also noted that “this implies use of appropriate pedagogy, learning objectives, and assessment techniques as well as being of adequate duration and structure to allow the learner to incorporate new knowledge.” In addition, they shared a NEFE [document](#) about *Five Key Factors for Effective Financial Education*: well-trained educator, vetted/evaluated program materials, timely instruction, relevant subject matter, and evidence of impact (evaluation).

An Essential Life Skill

Financial literacy is an essential life skill. Stand-alone financial education courses should be available in every school district in every state in the U.S. Period. Hopefully, we will get there soon. In addition to teaching students subject matter content (e.g., investments and insurance), financial educators need to foster ancillary “success traits” including conscientiousness, focus, optimism, planning, and goal setting. Financial education is enhanced when it is associated with certain positive behavioral discipline characteristics. A [study](#) by the Consumer Federation of America found that people who have a savings plan with specific goals save more successfully than those without a plan. A [study](#) that I conducted with Jing Xiao and Karen Ensle found that respondents who reported frequent planning behavior had higher financial practice scores and health practice scores than others.

No one is better suited to teaching planning, goal-setting, and financial decision-making than family and consumer sciences (FCS) educators. As noted in the first AAFCS compendium on the FCS Body of Knowledge, the field addresses basic human needs “with an integrative, synergistic, holistic focus.” Whether FCS courses are called “life skills” or the more popular 2010s term, “adulting,” personal finance is a key component. Ideally, however, personal finance should be a course in and of itself.

10 Action Steps FCS Educators Can Take Now

Below are 10 specific action steps that FCS educators can take to increase their personal financial literacy, capacity to deliver financial education, and financial education advocacy efforts:

- ◆ Learn one new thing every day about personal finance from blogs, social media, websites, etc.
- ◆ Investigate the specifics of your personal retirement savings plan(s); e.g., 403(b) plan and pension
- ◆ Earn the AAFCS personal financial education [certification](#) credential CPFFE (Certified Personal & Family Finance Educator)
- ◆ Participate in free or low-cost noncredit workshops offered by NGPF ([FinCamps](#)), state education departments, Cooperative Extension, colleges, Councils on Economic Education, and others
- ◆ Participate in programs offered by your state Jump\$tart Coalition affiliate
- ◆ Participate in, and learn from, social media platforms such as the “FinLit Fanatics” Facebook group
- ◆ “[Work Out Loud](#)” on social media and/or start or join a Professional Learning Community (PLC)
- ◆ Advocate for financial education mandates and step up to teach personal finance when mandates pass

- ◆ Help build the capacity of teachers (i.e., train the trainer) in states with financial education mandates
- ◆ Save positive feedback from students for use in accomplishment reports and future advocacy efforts

This Volume: A One-Stop Shop

In addition to these steps, advocacy campaigns, and other resources described here, financial education supporters need evidence that programs are effective. Those involved directly in delivering programs need current information and resources. That is where this *Family & Consumer Sciences Compendium Series, Volume 3: Financial Literacy* comes in. Think of it as a “one-stop shop” for financial education materials, subject matter content, and research. The third in a series of AAFCS Compendiums, it is a “must read” for personal finance educators, advocates, and college students.

Articles in this volume cover dozens of essential topics such as entrepreneurship, personal finance mandates, elder financial exploitation, technology teaching tools, financial health, savings behavior, student loans, personal finance core concepts and competencies, and many more. These articles were originally published in two AAFCS journals, the *Journal of Family & Consumer Sciences* and the *Family and Consumer Sciences Research Journal*, between 2014 and early 2019 and are reprinted in their entirety. In addition, as a digital publication, the volume can be updated as new content is published. Also included are abstracts from recent national conference presentations, free access to AAFCS webinars on related topics, and comprehensive resource lists. All of this content is assembled in one place, making the compendium a unique and extremely valuable publication.

Opportunities abound for FCS professionals to make a difference and “move the needle” on America’s financial *illiteracy* crisis. Yes, new financial education initiatives are underway, but much more work still needs to be done. Let’s all work together to inspire Americans to “build wealth, not debt” with effective and relevant curricula and learning activities. Our students’ future and the future of the country depends on it.

March 27, 2019