

Determining Financial Literacy Content

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Challenges

- What does *financial literacy* exactly mean
- What topics does a basic financial literacy course cover
- Where can we find unbiased, high quality teaching materials
- What competencies and skills do participants of a FL course acquire
- Does this learning result in the change of participants behavior
- What is the best approach to measuring the impact of financial literacy course
- What are the necessary qualification for a person to teach a financial literacy course

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Financial Literacy” courses differ in ..

- Goals: knowledge, skill, competency
- Content: one topic, multiple topics
- Level: basic, advance
- Teacher background: qualifications, experience, certification
- Approach to delivery
- Approach to assessment of outcomes

Council's Charge

- Improve financial education efforts for **youth** in school and for **adults** in the workplace;
- Promote effective **access to financial services**, especially for those without access to such services;
- Establish **effective measures** of national financial literacy
- Conduct **research on financial knowledge**, including the collection of data on the extent of financial knowledge of individuals
- **Strengthen and coordinate** public and private sector financial education programs

PACFL 2008 Annual Report

- [http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/docs/PACFL ANNUAL REPORT 1-16-09.pdf](http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/docs/PACFL_ANNUAL_REPORT_1-16-09.pdf)
 - Research and Education Subcommittee of the council addressed these issues and submitted its recommendations to address some of these issues (Chapter V, pp 25-26 and 35-37)

Council's Recommendations

- Schools should be required to teach financial education from kindergarten through 12th grade
- College students should be required to take a course in financial literacy in order to receive federal student loans
- Employers should receive tax incentives to teach workers about money

Council's Recommendations

- Financial institutions should be required to provide every adult American with access to a debit-card-accessible bank account
- The government should create a resource center on its financial literacy website, www.mymoney.gov, for human resources professionals and employers

Recommendation 8- materials

- The United States Department of the Treasury should create an Internet-based resource center on the Federal government's financial literacy website, www.mymoney.gov that consolidates the best financial education information, resources and best practices

Recommendation 11 - standards

- The private sector, state and local governments, and nonprofits should adopt the Council's definitions for "financial literacy" and "financial education," so that programmatic decisions are based on a *common understanding* of the terms.

Financial Literacy:

- “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being” (Jump \$tart Coalition, 2007).

Financial Education:

- “the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being” (Organization for Economic Co-operation and Development, 2005)

Financial Literacy Content

Basic	Medium	Advance
Cash flow management	Financial risks	Investment products
Building emergency fund	Risk management	Investment Risk mgt
Banking	Buying insurance	Understanding Benefits
Credit card mgt	Car, home, health, liability	Retirement planning
Other loans	Life insurance	Estate planning
Credit rating	Investment risks	
Saving	Basic principles of investing	
Identity theft	Risks return relationship	

Recommendation 12 - Standards

- The United States Department of the Treasury should:
 - identify and *standardize* the specific skills that a person should have upon completion of a comprehensive financial literacy program, and
 - explore the creation of a *accreditation* program for such programs and
 - *certification* for instructors of programs that meet the criteria

Many unanswered questions

Research questions

- What is necessary to create a consistent, sustainable, financial literacy infrastructure
- Should financial education be required
 - What are the pros and cons
- If we increased financial literacy education how will it affect:
 - individual household and,
 - national economic stability?

Research questions

- What financial literacy statistics should be developed to measure competencies and skills that are necessary for a person to take control of their financial future?
- How do economic shocks alter risk exposure and risk management choices both at the individual and household levels
- What coping strategies people apply to survive through hard economic times

Few more thoughts

To be effective financial edu. has to

- Start early and continue throughout life
- Have clear goals, defined outcomes (knowledge, skills, behavior change)
- Offer at all levels of schooling
- Progress from very basic to advance levels
- Have a distinct place in the school curriculum
- Tailor courses to its target audience
- Take into account language, culture, age and experiences

And it has to ...

- Result in increase competencies and a positive impact on participants' attitudes, knowledge and behavior.
- Have qualified teachers teaching the course
- Evaluate effectiveness of these courses systematically over a longer period

***Your Questions, Comments,
Suggestions***