NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

Partnering for Financial Well-Being

Office of the President

October 2, 2014

Representative Paul Clymer, Majority Chair
Representative James Roebuck, Minority Chair
Education Committee
House of Representatives
Commonwealth of Pennsylvania

Chairman Clymer and Chairman Roebuck,

The National Endowment for Financial Education received a request from your Committee's staff to provide some general comments and perspective on financial literacy in conjunction with a hearing on October 6, 2014 in Harrisburg.

Unfortunately due to prior commitments I cannot attend this hearing in person. In my absence, I'm happy to provide information about NEFE and our nonpartisan research-based approach to youth financial education.

About NEFE

The National Endowment for Financial Education (www.nefe.org) is the only private, nonprofit, national foundation wholly dedicated to improving the financial well-being of all Americans. All NEFE resources and initiatives are research-based, noncommercial, and not tied to any products or services. NEFE is nonpartisan and inspires empowered financial decision making for individuals and families through every stage of life.

Our Involvement in Pennsylvania

NEFE has had involvement in the financial education efforts of the Commonwealth for many years including participation in the Governor's Institute on Financial Education from 2006-2011. Additionally, our NEFE High School Financial Planning Program (HSFPP) is free and updated on a periodic basis. Here are some recent developments related to HSFPP and Pennsylvania:

- Within the past two years, program materials have been ordered for use in 104 schools and student organizations in Pennsylvania.
- In the past year, instructors and youth volunteers from 400 Pennsylvania cities have accessed the online program materials.

1331 17th Street
Denver, CO 80202
303-741-6333

- In 2013 NEFE contributed to teacher professional development by facilitating three financial education topical webinar workshops for the Making Cents Program.

Relevant Research

As you look at youth financial education and financial literacy, please consider the work of the Jump$tart Coalition for Financial Literacy which generates standards and resources that support financial education efforts of youth from preschool through college. A report on the Teacher Training pilot project of the Jump$tart Coalition's Teacher Training Alliance and NEFE may be accessed at http://www.jumpstart.org/assets/files/Teacher%20Alliance/J$TTA%20Pilot%20Research%20Report.pdf. This initiative was created in response to independent and widely quoted NEFE-funded research conducted by the University of Wisconsin-Madison, which found that relatively few teachers felt adequately prepared to teach personal finance or use their state's standards.

NEFE funds additional research on a variety of issues in financial education and financial capability, and summaries of this work can be found at www.nefe.org/research. Research that might be of particular interest to your committee is a longitudinal study from the University of Arizona called Arizona Pathways to Life Success for University Students. Wave 1 of this study was completed in May of 2009 and highlighted college students' financial behaviors. It found that there are three factors that create an effective solution to avoiding financial problems when students start college:

1. Parental involvement (has the most influence)
2. Education (formal financial education in high school)
3. Work experience (part-time job)

Subsequent research conducted through this longitudinal study (Wave 1.5, November 2009; Wave 2, September 2011; and Wave 3, June 2014) has continued to yield valuable insights into how young adults are struggling to achieve financial security in their transition from college to adulthood. These studies may be found at: http://www.nefe.org/what-we-provide/primary-research/aplus-research-on-young-adults-wave-1.aspx.

Five Factors for Effective Financial Education

Based on our research, programming, and practice in the field for the past 30 years, NEFE has identified five factors for effective financial education:

1. Well-trained educator (and/or tested e-learning protocol)
2. Vetted/evaluated program materials
3. Timely instruction
4. Relevant subject matter
5. Evidence of impact (evaluation)

Additional information on each of these factors is presented in the attached document.

Financial Education is Bipartisan

Financial education and financial capability are bipartisan issues. I have had the honor of representing NEFE as a council member on President Bush's President's Advisory Council on Financial Literacy, President Obama's President's Advisory Council on Financial Capability, and now serve on President Obama's President's Advisory Council on Financial Capability for Young Americans. Each prior Council generated thoughtful recommendations and helped initiate several activities and research efforts in this field.

I hope this information will be helpful to you and your committee members as well as staff professionals.

For more information, contact me at TBeck@nefe.org or (303) 224-3504; or Brent A. Neiser, CFP®, Senior Director of Strategic Programs and Alliances, at ban@nefe.org or (303) 224-3501. We appreciate the opportunity to provide this information.

Yours sincerely,

Ted Beck

Ted Beck
President & CEO
National Endowment for Financial Education

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Denver, CO 80202
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Five Key Factors for Effective Financial Education

I. Well-trained Educator (and/or tested e-learning protocol)

Simply integrating personal finance topics into a learning environment is not enough. The educator needs to be confident, competent, and knowledgeable about the topic of personal finance in order to create a learning environment that is ideal for student-learning. Educators attain this proficiency by attending college-level courses and/or post-certification workshops that have been evaluated to demonstrate impact in increasing instructor effectiveness. Fundamentally, educators should demonstrate high levels of understanding—both with the content and the pedagogy—of the topics that espouse the tenets of financial capability.

II. Vetted/Evaluated Program Materials

The content and program materials (e.g., classroom activities, topics, examples, and assignments) should be created with the consultation of field experts (e.g., insurance agents and financial planners) and tested to be appropriate for the audience for which instruction is being implemented. For example, all instructional materials should include correct and up-to-date information, be guided by complex learning outcomes and objectives that are age appropriate, and tested to be impactful by external evaluators.

III. Timely Instruction

Program goals, instructional tools, and instruction topics should link to decisions that learners are readily able to make. If the topics cover concepts that are many years away from the capability of those participating in the instruction, alternative examples should be instituted which convey similar concepts, but that can be relatable to a near-term decision or implementation. This concept is especially true if the program has a limited time of exposure to convey the content. For instance, using a considerable amount of time focusing on mortgages, when the learners are 16, may be less effective than covering borrowing (using examples like student loans or automobiles) and highlighting the planning process associated with attaining secured debt. In addition, learners should have access to program materials beyond any formal instruction to allow the opportunity for utilization of content and exercises at times that are opportune.

IV. Relevant Subject Matter

As with timely instruction, relevant subject matter is essential in not only engagement with the content, but also in the prospect of impacting behavior. If learners are unable to relate to the topics, examples, and content, then the level of engagement the instructor seeks will not be achieved. Consider young adult learners who are attending a free community money management workshop who mostly have jobs that do not offer 401(k) or 403(b) savings plans. Without an understanding of the audience and the context, an instructor may focus their presentation examples of saving on the need for diversified mutual-funds instead of conveying the same concepts by discussing saving, having an emergency plan, and explaining the difference between savings accounts, CDs and ROTH IRAs.

V. Evidence of Impact (Evaluation)

Continuously seek information on the impact of a program. Well-designed evaluations, which can be managed internally or by an external party, tell educators where they are having impact on behavior, knowledge and/or confidence, where students are engaged, and where improvements need to be made. Without evaluation, instructors rely on anecdotes to inform their work, where a more robust assessment can show where immediate improvements can be made and which areas of success can be capitalized.