

INFORM. INSPIRE. DEVELOP CIVIC LEADERS.

THE POLICY CIRCLE

FINANCIAL LITERACY



➤ WHAT IS FINANCIAL LITERACY? ◀

FINANCIAL LITERACY IS “THE ABILITY TO USE KNOWLEDGE AND SKILLS TO MANAGE ONE’S FINANCIAL RESOURCES EFFECTIVELY FOR LIFETIME FINANCIAL SECURITY.”

ON A PERSONAL LEVEL, FINANCIAL LITERACY MEANS UNDERSTANDING AND APPLYING FINANCIAL KNOWLEDGE TO ALL ASPECTS OF OUR LIVES, FROM MANAGING MONTHLY BILLS AND BUDGETS TO STARTING A BUSINESS OR PLANNING FOR RETIREMENT. ON A SOCIETAL LEVEL, FINANCIAL LITERACY CAN CONTRIBUTE TO LOWER SOCIAL SAFETY NET USAGE AND AN OVERALL HIGHER QUALITY OF LIFE FOR COMMUNITIES AND FAMILIES.

➤ FACTS TO KNOW ◀

OVER 70% OF AMERICANS SELF-REPORT BEING HIGHLY FINANCIALLY LITERATE, BUT THE RATE OF FINANCIAL LITERACY FOR AMERICANS FELL FROM 42% TO 34% BETWEEN 2009 AND 2018. ALMOST 80% OF AMERICANS HAVE AT LEAST ONE OF SIX TYPES OF DEBT (CREDIT CARD, MORTGAGE, AUTO LOAN, STUDENT LOAN, UNPAID MEDICAL BILLS, OR NON-BANK).

FEWER THAN 40% OF NON-RETIRED AMERICAN ADULTS BELIEVE THEIR SAVINGS ARE ON TRACK FOR A SECURE RETIREMENT, AND A FULL 25% OF AMERICANS HAVE NO RETIREMENT SAVINGS AT ALL.

PER THE COUNCIL FOR ECONOMIC EDUCATION'S 2020 SURVEY OF THE STATES, 21 STATES REQUIRE HIGH SCHOOL STUDENTS TO TAKE A COURSE IN PERSONAL FINANCE AND 25 STATES REQUIRE HIGH SCHOOL STUDENTS TO TAKE AN ECONOMICS COURSE.

BLACK (41%) AND HISPANIC (38%) RESPONDENTS WERE MORE LIKELY TO REPORT HAVING TROUBLE COVERING UNEXPECTED EXPENSES THAN WHITE RESPONDENTS (27%).

➤ GOVERNMENT SPENDING ◀



THE FEDERAL GOVERNMENT SPENDS CLOSE TO \$300 MILLION ANNUALLY ON FINANCIAL LITERACY AND EDUCATION PROGRAMS FOR AMERICANS.

OF THE APPROXIMATELY \$670 MILLION SPENT BY THE PUBLIC AND PRIVATE SECTOR ANNUALLY ON FINANCIAL EDUCATION, NONPROFITS AND FINANCIAL INSTITUTIONS CONTRIBUTE ALMOST THREE-QUARTERS OF THIS TOTAL.

STATE AND LOCAL GOVERNMENTS ACROSS THE COUNTRY ENGAGE IN PUBLIC-PRIVATE PARTNERSHIPS WITH FINANCIAL INSTITUTIONS AND COMMUNITY ORGANIZATIONS TO TACKLE FINANCIAL EDUCATION AND LITERACY CHALLENGES.

THE TREASURY DEPARTMENT SAYS NON-GOVERNMENT ENTITIES ARE BETTER ABLE “TO RESPOND TO NEEDS MORE QUICKLY, DEVELOP CUSTOMIZED STRATEGIES TO DELIVER FINANCIAL EDUCATION, AND REMAIN ENGAGED AND FOLLOW UP WITH THOSE SERVED OVER TIME.”





➤ FRAMING THE ISSUE ◀



WHEN NOT ADDRESSED, FINANCIAL CHALLENGES PERPETUATE DIFFICULTIES WITHIN FAMILIES THAT CAN EVEN EXTEND FROM GENERATION TO GENERATION, CALLED INTERGENERATIONAL POVERTY. THE STIGMA OF TALKING ABOUT FINANCES ADDS TO THIS CHALLENGE.

FINANCIAL LITERACY AND EDUCATION PROGRAMS ACROSS FEDERAL AGENCIES LACK EVALUATION METHODS, MAKING IT DIFFICULT TO MEASURING THEIR IMPACT AND EFFECTIVENESS.

A SURVEY OF 800 TEACHERS FOUND 90% BELIEVE PERSONAL FINANCE SHOULD BE TAUGHT IN SCHOOLS, BUT HALF ADMIT TO NOT HAVING A SOLID ENOUGH UNDERSTANDING TO TEACH FINANCIAL LITERACY. FINDING STAFFING AND FUNDING TO ADD FINANCIAL EDUCATION COURSES PROVES DIFFICULT IN SOME SCHOOLS.

A 2018 STUDY FOUND STUDENTS FROM STATES WITH HIGH SCHOOL FINANCIAL EDUCATION COURSE REQUIREMENTS HAD HIGHER CREDIT SCORES, AND THE COUNCIL FOR ECONOMIC EDUCATION FOUND FINANCIAL EDUCATION REQUIREMENTS WERE RELATED TO A DECREASED LIKELIHOOD OF HOLDING CREDIT CARD BALANCES, BUT ONE NATIONWIDE SURVEY OF OVER 13 MILLION HIGH SCHOOL STUDENTS REVEALED ONLY 16% WERE REQUIRED TO TAKE A FINANCIAL EDUCATION COURSE BEFORE GRADUATING.





LOCAL SOLUTIONS

HAVING CONVERSATIONS WITHIN FAMILIES CAN HELP ELIMINATE THE DISCOMFORT THAT SOMETIMES COMES UP IN DISCUSSIONS ABOUT MONEY AND FINANCES.

ADDRESSING FINANCIAL LITERACY IN HIGH SCHOOL, OR EVEN EARLIER, CAN BETTER EQUIP STUDENTS WITH FINANCIAL KNOWLEDGE TO PLAN FOR COLLEGE OR OTHER POST-SECONDARY PURSUITS. ADDITIONAL RESOURCES THROUGHOUT COLLEGE, INCLUDING FINANCIAL ADVISING OR WORK STUDY PROGRAMS, CAN HELP STUDENTS AFTER THEY GRADUATE HIGH SCHOOL.

FINANCIAL ADVISORS AND FINANCIAL COACHES CAN BE RESOURCES FOR INDIVIDUALS SEEKING ADVICE OR SUPPORT ON HOW TO ACHIEVE FINANCIAL GOALS.

➤ WHAT YOU CAN DO ◀

MEASURE -

FIND OUT WHAT YOUR STATE AND DISTRICT ARE DOING ABOUT FINANCIAL LITERACY, AND SEE WHAT OTHER RESOURCES ARE AVAILABLE IN YOUR STATE.



IDENTIFY -

WHO ARE THE INFLUENCERS IN YOUR STATE, COUNTY, OR COMMUNITY? LEARN ABOUT THEIR PRIORITIES AND CONSIDER HOW TO CONTACT THEM, INCLUDING ELECTED OFFICIALS, CITY COUNCIL MEMBERS, BOARDS OF EDUCATION, JOURNALISTS, MEDIA OUTLETS, COMMUNITY ORGANIZATIONS, AND LOCAL BUSINESSES.



REACH OUT -

FOSTER COLLABORATIVE RELATIONSHIPS WITH COMMUNITY ORGANIZATIONS, SCHOOL BOARD MEMBERS, FINANCIAL INSTITUTIONS, AND PROFESSIONAL ASSOCIATIONS.

PLAN -

SET MILESTONES BASED ON YOUR STATE'S LEGISLATIVE CALENDAR OR LOCAL COMMUNITY CALENDAR.



EXECUTE -

EDUCATE YOURSELF AND OTHERS. HOLD THOSE IN OFFICE ACCOUNTABLE, ADVOCATE FOR FINANCIAL LITERACY TO BE INCLUDED IN SCHOOLS' CURRICULUM, AND PLAN AHEAD

