



# ISFS

Institute for Socio-Financial Studies

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**GOODBYE TO COMPLACENCY:  
FINANCIAL LITERACY EDUCATION IN THE U.S. 2000-2005**

**US-UK Dialogue on Pensions  
Thursday, 21 July 2005**

# Financial Education in the U.S.

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- *Goodbye to Complacency: Financial Literacy Education in the U.S. 2000-2005* – commissioned by the AARP to update the original study.
- *Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.* – commissioned in 2000 by the Fannie Mae Foundation

# Background in 2000

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1. Public campaigns to increase savings and investments just getting started.
2. Retirement planning needs for the nation's aging baby boomers were increasingly being discussed.
3. Welfare-to-work mandates included financial literacy education.
4. Computer competence was spreading.
5. Growing media interest in money and personal finance topics.

# Background in 2005

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1. Public-private sectors intensified their commitment to financial literacy education.
2. Stock Market plunged in 3<sup>rd</sup> Q of 2000.
3. World Trade Center attacks stunned the world.
4. Corporate/Wall Street Scandals surfaced.
5. Policymakers debated Social Security reform.
6. Employers continued to adopt new pension/health care benefit models that required more money and more knowledge from workers.

# 2005 Study Questions

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1. What factors influenced and accelerated the spread of US financial education?
2. What changes have occurred between 2000 and 2005 in financial programs across the nation?
3. What have we learned about the availability, design, and evaluation financial education programs?
4. What is being done to increase takeup rates of financial education? How should we measure financial education success?

# Scope of US 2005 Review

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- National Campaigns and Coalitions
- Consumer Affairs Organizations
- Workplace Financial Education Programs
- Community and Faith-based Organizations
- Programs for Youth and Young Adults
- The Internet
- Federal and State Legislation

# Information Sources

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1. Literature
2. Telephone and in-person surveys of program directors, educators, and sponsors
3. Site visits at educational programs
4. Focus groups of adult and youth learners
5. Interviews with industry leaders and consultants
6. Inventory of Web-based financial education

# Variety of Programs

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- Youth and Young Adult Programs
- Women's Programs
- Programs for Persons with Disabilities
- Programs for New Americans
- Homebuyer Education Programs
- Asset (Wealth) Building Programs

# Variety of Programs

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- Pre-Retirement Programs
- Investment Education
- Programs for Adults by Cohort
- Estate Planning Programs
- Workforce Development
- Programs for Prisoners/Parolees

# Motivations for Participants

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- Preparing for some life change: buying a home or planning to retire.
- In transition phase: divorce, career change, workforce development.
- Facing a financial crisis.
- Because it is provided in the workplace, school, or faith organization.

# Organizational Reasons

1. Empower participants to take charge of their financial lives.
2. Help participants to get out of or avoid financial problems.
3. Comply with regulations or requirements imposed by an outside authority.
4. Meet an organizational goal (e.g. military readiness, increased stewardship).

# Factors that Spread Education

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1. National Coalitions and Partnership from the Public-Private Sectors influenced and accelerated the spread of US financial education.
2. Networking opportunities provided helped program sponsors and educators to know what was happening across the nation.
3. Otherwise proprietary research was freely shared.
4. Also shared were ideas, curricula, and resources.
5. The support of financial institutions and associations.

# Changes Since 2000

1. Employers have retreated from general financial education and most offer “benefit-driven” education instead.
2. Relevant curricula, qualified instructors, and prospective partners are more readily available today than they were in 2000.
3. Interest of policy makers and lawmakers is keen to put personal financial education on the national agenda for both youth and adults.

# Changes Since 2000

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4. Wealth and Asset Building initiatives and programs with financial literacy education are taking hold in more communities.
5. Internet and Web-based education has greatly improved, is not so “sales oriented” and is more widely available.
6. Dynamic partnering is occurring in every social sector and in all community settings, including schools.

# Problem Areas

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1. Excellent college and university programs exist to teach students personal finance, but much more attention is needed in this arena.
2. Programs that help older adults avoid scams and fraud are increasing, but the need still exists for basic financial education for this population.
3. Document clarity must become a priority for financial institutions and policymakers. Many do not understand their telephone and credit card bills, let alone the contracts they sign.

# Problem Areas

4. Funding to handle program sustainability is needed.
5. The need exists for better program evaluation methods and the resources to gather post-program data.
6. Improved ways of attracting targeted populations to take financial education programs that are offered.
7. Research that helps educators convince more people to become financially competent and to improve poor decision-making behaviors.

# Does Financial Education Work?

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*“...thank God I came to that class. I learned a lot of information that I had no clue about before”*

*“I just spent, spent, spent. I was illiterate, and I learned a lot through this program...when you get your check, leave something in there...save money!”*

# One participant told us—

*“I have revamped my budget. I drive a ten-year old pick up truck. I could probably afford more, but why? I upped my 401(k) deposit instead—I’m in mutual funds. I say, look, I want more for my retirement.”*

*Goodbye to Complacency:  
Financial Literacy Education  
in the U.S. 2000-2005*

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For further information