National Financial Capability Strategy

Current economic conditions have underscored the need to elevate financial capabilities among U.S. citizens. But what strategies are proven to work? This white paper reviews and synthesizes recent efforts toward developing a set of standards for financial literacy education and elevation.

National Financial Educators Council

Raising Nationwide Financial Capabilities:
A Review of Recommended Strategies

White Paper

National Financial Educators Council

There is little question that a financial illiteracy epidemic currently plagues citizens across the country. But fortunately, this plague has a cure. Although the remedy will require additional research and resources, this report clarifies key strategies and presents a framework upon which to build to strengthen financial capability among citizens from the U.S. and around the world.

In this white paper we compiled data gathered from 47 recent proceedings documents, agency reports, conference presentations, and peer-reviewed research articles. Our objective was to clarify key points of agreement, identify directions for future research, and synthesize existing data so organizations can leverage this information to design viable financial literacy initiatives.

The National Financial Capability Strategy was originally developed by the NFEC for internal use to shape its organizational direction. Our decision to share the information demonstrates our open source business model, our commitment to provide key performance benchmarks for the industry and share best practices to help other organizations shape their campaigns – thus urging the financial literacy movement forward.

In our view, the financial education industry is fragmented. Too many organizations are working in too many different directions without a common objective. In order to push the financial literacy movement past the tipping point, it becomes essential to mobilize efforts toward reaching a shared vision. And that vision should be based on the overall strategies identified by the agencies and research cited in this report.

Although more studies and research clearly are needed, we encourage anyone compelled to help people improve the financial capabilities of citizens in their communities to move forward and take action that aligns with the National Financial Capability Strategy. Use this existing evidence to develop programming, measure success, and refine materials based on data-driven, evidence-based feedback.

We commend all the agencies and individuals who contributed the data gathered for this report. Their research, ideas, and collaboration have provided an invaluable source of information that supports the financial education industry and shapes the direction of our company. I would also like to personally thank everyone who contributed to developing the National Financial Capability Strategy and all those who have become involved in the financial education movement.

It is our hope that this report will offer ideas and guidance to financial literacy advocates, educators, and supporters around the globe. Together we can educate the world's citizens to make qualified financial decisions that improve their lives, the lives of their loved ones, and the lives of people they influence worldwide.

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Introduction

Financial capability is an essential life skill that has important impact both on individual and family well-being and on the greater economy. A number of organizations have developed various definitions of *financial literacy*; however, most agree that the term defines a skill set that represents a combination of knowledge, attitudes, and behaviors related to sound financial decision-making that leads to eventual financial wellness. (1 – 3) Today's citizens are called upon daily to make important financial decisions that have far-reaching effects on their own lives, their communities, and the overall economy. They must understand and negotiate an increasingly complex fiscal landscape, manage their money and risk, set financial goals, and make informed choices to reach those goals.

The recent economic crisis both underscored and intensified the need for financial education strategies worldwide and several nations have built coalitions and task forces to answer this call.(4–9) In the U.S., the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), adopted in response to the 2008 recession, included a mandate that the federal government study ways to improve the financial literacy of Americans.(10) The Dodd-Frank directive also created the Consumer Financial Protection Bureau (CFPB), an agency dedicated solely to the financial protection of consumers and charged with developing and implementing national strategies to improve their financial capabilities. The CFPB must prepare an annual report assessing and tracking changes in financial competency among the American population.(11,12)

Global financial literacy has been found to be low across nations and demographics, but even lower among those individuals at low income and education levels.(13,14) While the 2012 National Financial Capability Study (NFCS) indicated some improvement in Americans' financial behaviors over its 2009 baseline, key measures of financial capability show that major problems still remain.(15) A large proportion of the population still carries too much debt, borrows money in potentially risky ways, and does not have sufficient emergency funds set aside to anticipate contingencies.(16) Financial literacy in the U.S. remains low; in 2012 61% of American respondents to a five-question financial knowledge quiz still were unable to answer more than three questions correctly.(15) The FINRA study found that measures of financial competency are lower among young adults, those with annual household incomes below $25,000, those with no post-high school education, minorities, and women.(16)

The widespread deficit in financial literacy has raised a good deal of concern among government agencies, policymakers, and leaders in the community and business sectors. There are several reasons for this concern. First, a growing body of research demonstrates the importance of sound financial decision-making to people's physical, emotional, and mental health as well as to national and global economies.(13,17–19) Second, the number and complexity of available financial products have increased dramatically in the past two decades, effectively transferring a higher burden of financial responsibility and risk to the consumer.(1) Finally, increased life expectancy among the current population has been unaccompanied by matching increases in retirement and long-term care planning.(13)

Lack of financial knowledge and understanding at the individual level translates into significant problems at the community and national levels. For example, the fact that many people did not comprehend the risks involved with subprime mortgage products contributed heavily to the 2008 recession.(10) Those who do not fully understand compound interest principles and the time value of money may fail to save emergency funds or manage debt appropriately, contributing to higher rates of foreclosure and bankruptcy.(20) On the other hand, giving people the knowledge and confidence to make informed financial decisions increases their participation in financial services and markets; this in turn both improves consumer outcomes and contributes to the stability of the larger economy.(21) In addition, building a base of financially competent consumers may reduce the level of regulatory intervention required to sustain economic stability.(4)

All these issues point to the need for effective financial education on a large scale, and growing awareness of this need has led to a recent proliferation of financial literacy programs. Hundreds of such programs now are available through private, nonprofit, and governmental entities. Yet very few financial literacy products developed since 2000 have been empirically evaluated and/or demonstrated to be successful at achieving long-term positive behavior change.(10,22) Further, available programs differ so widely from one another that generalizing the positive results of one approach to the heterogeneous group of all existing approaches becomes next to impossible. Thus no single approach, delivery mechanism, or technology has emerged as constituting the absolute best practice for instruction that will realize actual improvements in individuals' financial decision-making. Still, the growing concern about financial literacy has produced substantial effort among government agencies and task forces, financial institutions, and economists to set forth viable standards by which financial education programs may be judged. The various results of these efforts must be reviewed and synthesized to inform development of an accepted set of financial literacy education and evaluation standards that can be applied to a wide range of programs.

This paper presents such a review and synthesis. We analyzed 47 recent proceedings documents, agency reports, conference presentations, and peer-reviewed research articles to clarify key points of agreement and topics for future research. Materials from the U.S. plus five other countries, along with documents from the International Forum for Investor Education (IFIE), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), and World Bank were reviewed for this analysis. First we present some of the overall strategies identified by various agencies to guide nationwide financial literacy promotion. Next, from our analysis three common themes emerged that might usefully underpin national standards for promoting financial literacy: education, awareness, and sustainability. The remainder of this paper is organized around those three topic areas.

Overall Strategies

Since the 2008 recession a number of governmental, private, and nonprofit bodies have convened to address the need for improving financial literacy among Americans. Each of these groups undertook to identify an overarching mission and set of objectives to lead the U.S. toward improving financial capability among its population base. In addition, because economies are becoming increasingly global and because lessons may be learned from the experiences of other nations, strategies not only from the U.S. but also from other countries were reviewed for this paper.

President's Advisory Council on Financial Literacy

On January 29, 2010 U.S. President Barack Obama signed an executive order creating the President's Advisory Council on Financial Literacy. This body was charged with assisting the American people to understand money matters and make informed decisions to improve their financial well-being. Over the ensuing three years the Council held multiple meetings and listening sessions; convened a summit on financial capability and empowerment; and gathered 62 formal public comments on Council themes and principles. The Council's findings were condensed into a final report published January 29, 2013,(6) highlighting four major recommendations for a national strategy to improve financial capability. These four points are summarized as follows:

Financial education should be lifelong, beginning with parents in the home, continuing through elementary and secondary school, and persisting into adulthood. The government should take a role in supporting the introduction of financial literacy into homes, schools, and communities.

The workplace is an important place to provide financial education and encourage well-framed financial choices. Government and employers should embrace responsibility for promoting the financial well-being of employees.

Financial capability can be advanced in communities by coordinating efforts of local government, schools, financial services, business leaders, and nonprofits.

Financial capability is a combined function of education, enlightened regulation, and choice architecture; which in turn require well-designed financial products, adequate protection, and research to uncover what actually works.

Financial Literacy Education Commission

Operating in parallel to the President's Advisory Council, near the same time the Financial Literacy Education Commission (FLEC) was working on its 2011 document titled *Promoting Financial Success in the United States: National Strategy for Financial Literacy*.(23) The FLEC was established by Congress via the 2003 Fair and Accurate Credit Transactions Act. Beginning in 2009 the FLEC's National Strategy Working Group (NSWG) reviewed strategic documents from other agencies and countries and reached out to a large group of stakeholders in the financial education field for input. This process resulted in the 2011 strategy document which poses four main goals:

- Increase awareness of and access to effective financial education;
- Determine and integrate core financial competencies;
- Improve financial education infrastructure; and
- Identify, enhance, and share effective practices.

The FLEC report provides a good summary of the common themes echoed across all 47 of the documents reviewed for this paper: toward the vision of attaining sustained financial well-being for all U.S. individuals and their families, best practices for strategies at the policy, education, practice, research, and coordination levels are essential, but have yet to be defined.

Government Accountability Office

Also in 2011 the Government Accountability Office (GAO) reviewed the extant literature describing empirical evaluations of financial education approaches.(10) Although the GAO discovered 142 expert articles published since 2000 that evaluated financial literacy strategies, only 29 of those met the criteria of evaluating the outcomes of a specific program, using empirical evidence, being based on original data collection, and demonstrating sufficient scientific rigor. According to this literature review and input the GAO gathered from experts and practitioners, a set of common elements were identified as desirable in any financial literacy program. While those elements separately fit into our three categories of interest (education, awareness, and sustainability), as a whole they represent an overall national financial literacy strategy. The elements are listed as follows:

- Content that is relevant and timely to the participants' life phase.
- Delivery methods adapted to fit the topic or audience needs.
- Accessibility and cultural sensitivity.
- Formation of organizational partnerships to efficiently share resources and materials and reach target audiences.
- Program evaluation to determine impact on participants' knowledge, attitudes, and behaviors.
- Trained, competent providers with the expertise and confidence to teach the subject matter effectively.
- Sustainability – programs should have the necessary resources for long-term success.

Australian Securities and Investment Commission

The Australian Securities and Investment Commission is the body responsible to promote financial literacy among Australians. This agency prepared a report in 2014(4) outlining the country's nationwide strategy, which is based on four core principles:

Shared responsibility: Improving financial literacy is a shared responsibility across the Australian government, business, community and education sectors.

Engagement and effectiveness: An approach tailored to life stage or personal circumstances can help motivate Australians to build financial literacy and manage their money effectively.

Encouragement of good practice: Open sharing of knowledge about lessons learned from financial literacy initiatives contribute to improving evaluation and measurement capability and practice.

Diversity and inclusiveness: Programs and information, tools and resources must be delivered in an accessible form, recognizing the different ways people learn, so that all Australians can participate.

Task Force on Financial Literacy in Canada

This task force was convened in 2009 by the Canadian government to strategize the country's financial literacy plan.(24) Its summary report, *Canadians and their Money: Building a Brighter Financial Future*, was published in 2010. (7) The Canadian national strategy echoes many of the important elements identified by the U.S. and other countries, summarized into five strategic priorities:

- Shared Responsibility
- Leadership and Collaboration
- Lifelong Learning
- Delivery and Promotion
- Accountability

Progress toward the Canadian National Strategy is being carried out in phases. The first phase focused on improving financial literacy among seniors. These efforts were published in a report by the Financial Consumer Agency of Canada in 2014.(25)

New Zealand Commission for Financial Literacy

The New Zealand Commission for Financial Literacy first convened in 2008 and has updated the national financial literacy strategy for New Zealanders in 2014.(26) To achieve its vision, stated as "everyone getting ahead financially," the Commission has organized its national strategy as a set of activity streams with desired outcomes attached to each stream. The five activity streams are as follows:

- Talk: A cultural shift where it's easy to talk about money.
- Learn: Effective financial learning throughout life.
- Plan: Everyone has a current financial plan and is prepared for the unexpected.
- Debt Smart: People make smart use of debt.
- Save/Invest: Everyone saving and investing.

Pakistan

BearingPoint and the State Bank of Pakistan began collaboration in 2011 to launch a nationwide program to improve financial capabilities among Pakistan's working poor.(27) The primary aims of the program were stated as:

To impart knowledge and understanding of a broad range of financial concepts and to introduce banking/financial services to the targeted demographic.

To help participants develop positive, productive skills and attitudes in several topic areas that will help them achieve a state of financial capability. Those topics include budgeting, savings, investment, debt management, financial products and services, consumer rights, and mobile/branchless banking.

To facilitate long-term behavioral change that promotes financial well-being. Targeted behaviors and attitudes include increased savings, improved debt management, lower perceived financial stress, and an achieved state of improved financial security.

United Kingdom

The United Kingdom's National Strategy for Financial Education was launched in 2003 as part of the UK's membership in the International Forum for Investor Education (IFIE). IFIE is an alliance that connects investment education providers from the private and public sectors to enhance the effectiveness of such education. The UK Financial Services Authority (FSA) designed its 2003 national strategy by focusing efforts around seven priority areas: 1) schools; 2) young adults; 3) workplace; 4) families; 5) retirement; 6) borrowing; and 7) financial advice. As the FSA states on its website, the intent of the UK's national campaign is to present financial capability "...like a commercial product that we want people to adopt and act upon. That means reaching out to individuals with innovative and imaginative marketing techniques and 'selling' them the idea that personal finance matters and that it need not be difficult."(28)

Review of existing Research

In addition to analyzing the planning documents produced by the task forces and coalitions charged with strategizing to promote financial literacy, we also reviewed the existing research evaluating the success of various financial education programs. Most such evaluations have been conducted since the late 1990s; however, few rigorous studies have appeared in the literature since the 2008 recession.

Pre-2008 Research

The report prepared by the Government Accountability Office (GAO) reviewed research mainly published in the early 2000s. Supplementing the GAO report, a 2013 literature review by Hastings et al. found that the literature in the same time frame consistently shows that many individuals perform poorly on test-based measures of financial literacy, and that research documenting a link between financial literacy and less-than-optimal financial outcomes is growing.(19) Their review concludes that current evidence is inadequate to demonstrate the efficacy of financial education; and states that more research is needed to determine whether delivering financial education is cost-effective. Similarly, Lusardi and Mitchell have called for a careful cost-benefit analysis indicating which financial education programs are most appropriate and least expensive for various demographic groups.(29) In 2007, just prior to the economic collapse, the Federal Deposit Insurance Corporation published the results of a longitudinal evaluation of its curriculum which taught the topics of checking, savings, budgeting, and credit. Their results indicated that participants who completed the program showed statistically significant improvements in their financial behaviors and confidence, improvements which persisted 12 months later.(30)

More Recent Studies

Our literature searches uncovered only a few rigorous studies evaluating specific financial education approaches that were more recent than the FDIC study or those reviewed by the GAO and Hastings et al. A financial literacy test conducted in 2010 regarding a specific retirement contribution plan found that respondents were largely unable to differentiate between investment options, but that making personal contributions was associated with greater knowledge.(31) These study results support designing plans with few fund options and encouraging personal contributions. In a 2011 study Barron and Staten concluded that Internet-based credit counseling was equally as effective as in-person counseling.(32)

Karlan et al. discovered in 2012 that neither a specially-designed commitment savings product nor financial counseling had significant effects on savings or borrowing behavior in a randomized controlled trial of low-income New Yorkers.(33) In another 2012 paper, Altman posits that financial decision-making can be influenced positively by presenting high-quality, non-complex information; providing incentives for good decisions; and facilitating the best use of available information in real-life situations.(13)

Forté (2013) evaluated an adult financial literacy program tailored to an audience of Latina single mothers. She found three components of the program essential for appealing to this audience: 1) a holistic approach that builds a cultural community of support for the learners; 2) pedagogy that emphasizes both content and process; and 3) providing learners with motivation to make behavior change.(34) Drexler et al. found in 2014 that a basic “rule-of-thumb” approach using very simple heuristics or routines for financial decision-making had stronger significant effects on the way small businesses managed their finances than did accounting instruction.(35)

Clearly more research is needed to identify best approaches to financial literacy education. However, existing studies offer strong support for the thesis that education, awareness, and sustainability should form the cornerstones for a national strategy to improve financial decision-making among Americans.

Education

Every agency, organization, and researcher whose work was reviewed agrees that *education* is an essential component of any strategy to improve financial literacy among individuals. More and better education is needed to address the widening gap between the number of people who have access to increasingly volatile financial services and products and the number who have received basic financial capability education.(36)

Delivery Approaches

As stated above, best practices for delivering financial education have yet to be definitively outlined. From a practical standpoint, there is no evidence that one delivery vehicle – e.g., classroom instruction, one-on-one interaction, written materials, telephone, mobile, or Internet – is more effective than another in raising individuals' financial capabilities. Combining modes of delivery may achieve greater impact by reaching a larger number of individuals with teaching methods that accommodate a wider range of ages, education levels and learning styles.

In terms of when and how financial literacy programs should be presented, some consistencies as to "good practices" (if not best practices) have emerged among the recent financial education literature.

Lifelong and timely learning. Strong consensus has been reached that financial literacy efforts should not be concentrated toward reaching a limited or specific age group. Rather, financial literacy should begin with parents teaching young children at home, form an important piece of the curriculum presented in elementary and secondary schools, and continue into post-secondary education, throughout adulthood, and into retirement age.(2,4,6,26) Lifelong learning, with ongoing information updates to ensure relevance to one's life phase, is essential to getting and maintaining financial capability. Financial capability is not a standalone topic. Learning about money should be woven into the larger fabric of people's environments and lives.(6) That means providing timely education when it is most needed in a person's life. For example, a program might teach credit and loan qualification lessons to teenagers when they are considering their first automobile purchase; or teach seniors about investing and estate planning when they are getting ready to retire.(2)

Real-world applicability. In order for financial education to be successful, a program must offer participants simple, practical tools that can be readily applied to real-world situations they are likely to face. Simplicity and practical application have been empirically demonstrated to improve financial learning.(10,13,19,35) It is important for target audiences to understand that financial decision-making is a topic that is easier to learn than a good deal of post-secondary school classwork.(28,36) Practical personal finance learning will have positive effects on the national economy as well. For example, helping people learn their own risk tolerances and capacities can help prepare them for the impact of economic shocks such as job loss, natural disasters, or foreclosure.(37) In a 2011 white paper about increasing financial literacy on college campuses, Perry et al. discuss how topic relevance – that is, the probability that it will be needed in the short-term future – improves financial education. The effectiveness of the program is increased when the information is personalized and can be applied to the student's own situation, particularly when the learner is seeking to accomplish a financial goal.(38)

Engagement and diversity. Educational materials will be most valuable if they are engaging and accessible to a wide range of ages, cultures, and learning styles. The level of engagement achieved by a program will depend on its ability to connect with, and adapt to, a given target audience. Programs that certify educators in effective financial literacy instruction should adopt a standard of training instructors in multiple skills and methods for maximizing participant engagement in the lessons.(39) Giving students hands-on practice in financial decision-making is one method proven to increase engagement levels.(2) Interactivity also enhances participant engagement. There is evidence that interactive content improves audience retention and understanding of financial education material, and should be incorporated into lessons whenever possible.(38)

Diversity and inclusiveness are achieved by presenting materials that are culturally sensitive, i.e. adjusted to be compatible with the target audience's cultural norms, attitudes, and experiences.(10) Efforts should be made to identify and target vulnerable populations with financial education; for example, many studies have indicated that women, youth, the elderly, and those with lower incomes and education levels are less likely to be financially literate. Other research has suggested financial literacy disparities between urban and rural dwellers and related to race, ethnicity, and employment status.(3)

Accessibility. Accessibility is granted by presenting education at a time and place convenient to the desired audience. Related to accessibility, the notion of financial inclusion refers to the delivery of financial services at a reasonable cost to the disadvantaged and low-income segments of society. While this topic is somewhat removed from the central issue of financial literacy, it was mentioned by four of our sources and merits at least a nod in this review.(3,17,36,40) Financial literacy efforts cannot ignore the fact that many people across the world remain "unbanked"; a holistic, sustainable financial education program should include a component that helps bring those who lack basic financial services into formal financial networks.(17) Often these unbanked citizens are poor. Increasing their connections to financial services helps empower individuals and families to take advantage of economic opportunities, thus contributing to economic growth.

Core Competencies

Although consensus has not yet been reached on optimal practices for educational content and delivery, some core competencies considered crucial to basic financial education were identified during this analysis. As mentioned previously, hundreds of financial education products are currently available through a variety of sources and the core content covered in these programs is based on various models. However, of the 47 documents reviewed for this paper, only five undertook the task to clearly delineate the core competencies in which individuals must become proficient in order to be considered financially literate. And of those five, only three have published comprehensive standards to guide curriculum development: the Jump$tart Coalition for Personal Financial Literacy, the Council for Economic Education (CEE), and the National Financial Educators Council (NFEC). There appears to be some reluctance among other organizations to recommend specific core content, possibly due to the rapidly evolving financial landscape, the wide heterogeneity of available programs, and/or the paucity of empirical evidence demonstrating which programs actually work.

Core competency suggestions.

On August 26, 2010 the U.S. Department of the Treasury published its Financial Education Core Competencies in the Federal Register and requested public comment.(41) The President's Advisory Council on Financial Capability developed the website www.moneyasyougrow.org, an online tool designed to help families teach essential money lessons to kids of all ages. This website sets forth the "20 things kids need to know to live financially smart lives."(42) In addition, the Council developed Money as you Learn, a program which provides tools for educators to integrate money lessons into standard mathematics and English language arts curricula.(43)

Comprehensive core competency standards. In 2007 the Jump$tart Coalition for Personal Financial Literacy published its National Standards in K-12 Education on behalf of its partners and state affiliates.(44) In 2013 the Council for Economic Education (CEE) released its National Standards for Financial Literacy, designed to build a scaffolding for the body of knowledge and skills that should be included in a school-based financial education curriculum.(20,45) The National Financial Educators Council (NFEC) released its initial Financial Literacy Framework and Standards in 2015, defining comprehensive core content to be included in financial literacy curriculum from pre-kindergarten through senior adulthood, with topic areas designed in alignment with Common Core requirements.(2) Among these three sources, there is general agreement that financial literacy involves the following five core competencies: earning, spending, saving and investing, borrowing, and protecting. The Jump$tart Coalition document, the CEE report, and the NFEC Financial Literacy all expand upon those competency areas as they are recommended to be presented in K-12 school curricula, and the NFEC extends the competencies to suit curricula for pre-kindergarten through senior adults. Table 1 presents a summary of the core topic areas recommended by each of these three organizations.

Table 1.
Recommended Core Competencies for Financial Literacy Instruction, by Organization

CEE Report	Jump$tart Coalition 2007	NFEC Standards
• Earning Income	• Financial Responsibility and Decision-making	• Financial Psychology
• Buying Goods and Services	• Income and Careers	• Savings and Budgeting
• Saving	• Planning and Money Management	• Account Management
• Using Credit	• Credit and Debt	• Credit Profile
• Financial Investing	• Risk Management and Insurance	• Loans and Debt
• Protecting and Insuring	• Saving and Investing	• Jobs and Careers
		• Entrepreneurship
		• Economic and Government Influences
		• Risk Management and Insurance
		• Investing

It should be noted that the NFEC Standards shown in Table 1 represent the organization's breakdown of curriculum materials into 10 areas. These standards apply both to the high school and to the adult curricula, as the NFEC asserts that high school students possess the cognitive abilities and math skills necessary to understand the majority of financial literacy concepts that adults are capable to grasp. In comparison, the NFEC Standards for Kids (PK-8th grade) are broken down into just five areas: 1) Financial Psychology, 2) Budgeting, Savings, & Investing, 3) Income, Career, & Entrepreneurship, 4) Credit, Debt, & Loans, and 5) Risk Management & Insurance. The NFEC's Curriculum Advisory Board subscribes to the philosophy that, when teaching fundamental personal finance lessons to children, many of the lessons are interconnected. Thus they deemed it best to combine topic areas so children could learn how the information interrelates.(2)

Provider Training

Empirical evaluations also are needed to define the training and educational standards that must be met by financial literacy program providers. The GAO report cited above reviewed the extant literature for the purpose of determining the feasibility of developing a federal certification program for program providers. Their conclusion was that such a certification program is feasible, but would pose considerable challenges and carry a potentially high cost.(10) Teacher certification standards and programs developed by private and/or nonprofit organizations might fill this important gap. Providers not only should be taught proficiency in the key subject matter, but also must gain the confidence and expertise to be engaging and effective teachers.(10,46) In 2014 the National Financial Educators Council (NFEC) released a set of standards to be met by financial educators.(39) These standards were created in collaboration with the Danielson Group, a consultant team internationally recognized for its expertise in teacher effectiveness, teacher evaluation, and developer of the most widely used teaching model in the United States. The NFEC's Framework for Teaching Personal Finance is the only set of professional standards currently available for financial literacy educators.

Rigorous Evaluation

The sources consulted for this review agree unanimously that more evidence-based research is sorely needed to evaluate the efficacy of existing financial literacy programs. Proven effectiveness should be at the top of the research agenda: studies should be designed to identify optimal content and delivery mechanisms.(37)

Randomized controlled trials. Some sources suggest that randomized controlled trials (RCTs), comparing participants who receive a program with a control group who does not receive the instruction, are necessary to provide a valid, reliable evidence base for financial education.(1,10,22) However, the diverse nature of existing financial literacy programs and their wide range of intended audiences and outcomes pose major challenges to using RCTs for program evaluation.(19)

Measures. There is a widespread call for financial literacy research not only to identify the core competencies behind financially literate individuals, but to develop standardized metrics for assessing those core competencies. Measures only collected pre- and post-program delivery, or ones that assess only participant knowledge, are not enough. For example, Schmeiser and Seligman (2013) call for caution in extrapolating financial well-being from existing measures of financial literacy, especially when the data are cross-sectional. They found no significant relationship between participants' ability to answer questions on the Health and Retirement Study (HRS) survey and changes in wealth over time.(47) Appropriate indicators of knowledge, behavior, and financial well-being must be identified and effective measures developed to assess the longitudinal effects of financial education on long-term behavior change and financial wellness.(37) These measures should be applicable to a wide range of populations, contexts, and interventions.(22) In addition, careful attention should be given to how questions and responses are worded to ensure standardization of the mathematical difficulty across evaluations.(3)

Awareness

No program will be effective unless it succeeds in reaching its target audience. Therefore raising *awareness* among the population about the need for financial education, how it can positively affect one's life, and how and where to obtain it forms the second key point of this paper. Generating mainstream awareness about financial capability efforts depends upon marketing financial literacy (including garnering media support), sharing responsibility across community segments, and strategically positioning financial educators in communities as recognized leaders in the financial literacy space. Outreach efforts should be tailored to appeal to diverse groups, particularly the populations most vulnerable to financial illiteracy.(16)

Increasing awareness of and access to effective financial education was one of the goals set forth by the Financial Literacy Education Commission (FLEC) in 2011. The FLEC strategy recommended the promotion of a nationwide financial literacy mass media campaign. In addition, they suggested that educational resources be made available at "teachable moments," such as when applying for a student loan or upon purchasing a financial institution's product or service.(23)

For financial literacy programs to achieve its desired results it must succeed in reaching its target audience. Efforts must concentrate on conducting innovative marketing and outreach in order to raise widespread awareness about the need for financial literacy education and also to ensure that target audiences know about and have access to the available educational programs.(28)

Marketing

Growing concern about financial literacy has brought the issue into public view, and as mentioned above, a plethora of strategies have been identified and programs made available. Now the challenge is to bring financial literacy into top-of-mind awareness among potential audiences and encourage wide participation in financial education. Marketing strategies might include developing an easily-recognizable brand, crafting marketing messages that resonate with the needs of the target audience, and gaining support from community groups to spread the messages through a wide variety of media and channels.(38) As suggested by the UK task force cited above, marketing financial literacy education to the people who most need it will require innovative, imaginative marketing strategies that carry not only messages about why financial literacy is important, but also must help target audiences understand that financial topics are not at all difficult to learn.(28) In fact, the NFEC has suggested that learning fundamental financial lessons is easier than many topics taught at the high school level.(2)

Public Relations and Media

Closely tied to marketing efforts is the need for financial literacy programming to build collaborations and relationships with all types of media outlets.(28) Programs that succeed to raise mainstream awareness about the financial literacy movement will be those that prove able to collaborate effectively with a variety of community leaders and stakeholders. Some strategies for conducting public relations and media outreach might include providing expert speakers, hosting high-profile promotions, gaining celebrity sponsorship, and providing booths or booth staff for conferences and other events.(2,28) Building positive relationships with a wide variety of media will help bring financial literacy education into top-of-mind awareness across all segments of the population and the country.

Shared Responsibility

Across the countries, agencies, and research articles reviewed here, the notion of shared responsibility for providing financial education received frequent mention. For example, the recommendations made by the President's Advisory Council were intended as a call to action with the hope that all Americans would share the burden of helping future generations make better lives than those of their parents.(6) Ultimately the responsibility for learning how to manage money rests with the individual. But the mission of strengthening financial literacy in a nation cannot be achieved without the combined efforts of individuals, families, schools, the government, financial service providers, employers, and nonprofit organizations.(7)

Positioning in the Community

Positioning people in communities who are recognized as financial education experts helps raise awareness about financial literacy promotion and spread responsibility across community sectors. Thus youth and adults alike can learn from their friends, neighbors, colleagues, educators, employers, and community leaders whom they respect. (38)

Advocacy

As the need to improve Americans' financial capabilities begins to reach top-of-mind awareness, grassroots advocacy efforts are indicated to help uncover new funding streams for financial literacy promotion.

Sustainability

Finally, our sources concur that the financial literacy programs with the best chance of long-term success are those that achieve *sustainability* over time. Sustainability may be attained by encouraging strong collaborations between community partners, thus spreading the cost of delivery across a broader base. Programs available at low cost per participant also are more sustainable. Efforts should be conducted to connect service providers with government-funded programs. Advocacy should be encouraged and supported to generate new funding streams for financial literacy promotion. As standard measures of financial capability become available, their results should be widely disseminated; markers of increased financial competency will illustrate program success and contribute to long-term program maintenance.

Collaboration

Hand-in-hand with the idea of shared responsibility goes the need for financial literacy programs to facilitate collaboration between a wide range of stakeholders. Financial education providers should seek out and leverage every opportunity to coordinate their efforts with other parallel or complementary organizations, both to make the most efficient use of scarce resources and to form collaborative partnerships that bring a variety of perspectives and expertise to bear on the financial literacy mission. From a sustainability standpoint, encouraging collaborations between government, education, financial institutions, businesses, nonprofit organizations, and the media not only helps build a more stable infrastructure for promoting financial literacy. Collaboration spreads the cost of financial education across a broader base, reducing the cost burden that must be shouldered by any one group. Fostering partnerships for promoting the financial literacy movement also models some of the positive behaviors that agencies would like to see improved among the American populace.

Business Case for Financial Literacy

It has been demonstrated that the cost per consumer of delivering some financial education programs may be quite high, and thus bridging the financial literacy gap using currently available models would be cost-prohibitive.(36) Models of financial education are needed that can be developed, delivered, scaled, and sustained at minimal cost while demonstrating a high return on investment (ROI). One method to reduce costs would be to integrate financial literacy into existing education programs or curricula, i.e. mathematics or English classes already being taught in high school.(43,46) The 2012 FLEC report suggests synergizing financial literacy education with programs that promote physical and mental health, i.e. health literacy or nutrition programs. In addition, financial education could be attached to existing governmental platforms such as the Supplemental Nutrition Assistance Program (SNAP; formerly "food stamps"); Temporary Assistance for Needy Families (TANF); Medicaid; Social Security; and/or payments such as unemployment benefits or tax refunds.(37) A further method for managing costs and delivering high ROI might be to leverage existing curriculum, programming, and events that offer end users the flexibility to easily customize the material, thus supporting presentation in a variety of venues and time frames.(2)

Infrastructure for Dissemination

A final recommendation to build scalable and sustainable financial literacy programs is to create avenues and build infrastructure to support widespread dissemination. For example, the President's Advisory Council has suggested that the U.S. government should build a clearinghouse for the dissemination of programs demonstrated to be effective.(6) Collaborative partnerships are key to such dissemination. Some collaborative efforts should center around building bridges between research and practice. As researchers analyze what works, they need to communicate those key findings to communities of practice in a way that practitioners can apply to real-world learning.

Conclusions

This white paper represents one review and synthesis of the literature describing national strategies for promoting financial literacy in the U.S that have emerged since the recent economic crisis. Although the ultimate best practices for improving financial literacy have yet to be clearly defined, three themes have consistently emerged among expert analysis and research. First, programs aiming to increase financial capabilities among individuals must seek to educate using multiple methods and agents to deliver simple, practical lessons across the lifespan; and programs must be evaluated with scientific rigor. Second, top-of-mind awareness about the need for and availability of financial education must be built using marketing, shared responsibility, and positioning providers as community leaders. Finally, financial literacy must become scalable and sustainable by encouraging collaboration, generating new funding streams, promoting financial inclusion, and widely disseminating promising results and strategies.

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