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The issues of Youth Financial Education

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Abstract. This article deals with the analysis of current state of youth financial education. Comprehensive strategies for teaching youth to be effective managers of money and successful navigators of a complex financial marketplace are offered as the main tasks to be solved nowadays. Definitions of financial literacy by such scientists, as Johnson & Sherraden, Hogarth and Caskey are paid special attention to. In the paper, a range of approaches to assessment of youth financial education is studied and some of their controversies are discovered. The impact of demographic descriptors such as gender, employment status, ethnicity, family background, educational level and other social markers on improvements in financial knowledge is defined in the article. Further research is offered in the field.
Keywords: youth financial education, multidisciplinary researching, pedagogical inquiry, financial literacy, demographic descriptors.
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Проблеми фінансової освіти молоді

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Анотація. Присвячено аналізові поточного стану фінансової освіти молоді. Комплексні стратегії для навчання молоді фінансової грамотності пропонуються як основні завдання, які будуть вирішуватися в даний час. Дефініціям фінансової грамотності таких наукових діячів, як Джонсон, Шерраден, Хогарт і Каски, приділяється особлива увага. Досліджується ряд підходів для оцінки фінансової грамотності молоді і розкриваються деякі їхні протиріччя. Визначається вплив демографічних дескрипторів, таких як стать, рід зайнятості, етнічна належність, сімейне походження, рівень освіти, та інших соціальних маркерів на поліпшення фінансових знань. Пропонується подальше дослідження в цій сфері.
Ключові слова: фінансова освіта молоді, мультидисциплінарне дослідження, педагогічна вікторина, фінансова грамотність, демографічні дескриптори.
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Проблемы финансового образования молодежи

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Аннотация. Посвящается анализу текущего состояния финансового образования молодежи. Комплексные стратегии для обучения молодежи финансовой грамотности предлагаются как основные задачи, которые будут решаться в настоящее время. Определениям финансовой грамотности таких научных деятелей, как Джонсон, Шерраден, Хогарт и Каски, уделяется особое внимание. Исследуется ряд подходов для оценки финансового образования молодежи и раскрываются некоторые их противоречия. Определяется влияние демографических дескрипторов, таких как пол, род занятости, этническая принадлежность, семейное происхождение, уровень образования и других социальных маркеров на улучшение финансовых знаний. Предлагается дальнейшее исследование в данной области.
Ключевые слова: финансовое образование молодежи, мультидисциплинарное исследование, педагогическая викторина, финансовая грамотность, демографические дескрипторы.
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Introduction. Currently, in order to engage students' motivation in the field of youth financial education, beyond teaching students to handle their cash, there must be involved forging to understand the relationships among money, work, investments, credit, bill payment, retirement planning, taxes, and so forth. Continuously, it must be ruled by state academic standards to gain widespread implementation and find out resource commitments from teachers and education systems. Teacher training and professional development are a necessary and integral part to a corresponding successful programme implementation.

The problem under study is topical but contradictory nowadays that leads to the fact of some disagreement existing amongst scientists. Some dissenting voices identify a "blame the victim" subtext in the current financial education [1]. Others argue that standardized curricular classroom approaches fail to take sufficient account of student socioeconomic realities and overlook moral aspects of widespread financial distress, neglecting to address this social dilemma as a question of economic injustice [2]. Lastly, others question that the financial services sector should play as prominent a role as they do in the sponsorship and provision of financial education, given their role as product marketers [3].

Thus, scholars regarded lots of gaps in the field of knowledge and offered further research. It consists in the following:

– determining barriers to the successful navigation of lifecycle financial decision-making;
– exploring the role of motivation in successful programme to define how to obtain required improvements;
– deep and multidisciplinary researching with pedagogical inquiry in order to secure buy-in and infuse youth financial education more effectively into curricular, extracurricular and familial settings;
– organise professional development training for teachers of youth financial education.

As we approach the close of the first decade of a new millennium, most of the countries all over the world face recession with rapidly rising fuel and food prices, crises of mortgage, bankruptcy and a drastic decline in savings. The impact of these financial stressors, for both communities and individuals, has been widely highlighted by different media. Challenges and potential remedies for adults struggling with high rates of indebtedness, diminished incomes and negligible savings were seriously discussed in the reports. These reports also examine the implications of severe economic trend for children. However, comprehensive strategies for teaching youth to be effective managers of money and successful navigators of a complex financial marketplace have not emerged from the dialogue and debate yet.

While adult financial education is mainly a remedy implemented to fix concrete critical breakdowns in how adults use (or misuse) money; it tends to be organised and transferred to target demographic groups. Why is it necessary to bring financial education to children and youth? In addition to the struggles their families face, which are likely to persist into their own adulthood, advertising heavily targets and influences children. Children are in stores and retail venues an average of two to three times weekly, exceeding in a standard week the time dedicated to reading, church attendance, youth group and household activities, and outdoor play. And children, especially the majority who do not go directly on to post-secondary education, are quickly faced with adult financial tasks and responsibilities. The bulk of adult-based financial education programmes is relatively new and lacks assessment data. Emphasis is placed on scholarly, peer-reviewed publications.

Youth Financial Literacy, Education and Capability: Some Definitions

Although there is no one single, agreed upon definition for financial literacy, financial education or financial capability, scholars offer insight about the different meanings of these terms. While literacy is the possession of basic knowledge or competence, education is the means to build that capacity. Most broad-based financial education programs for adults and children attempt to bring all participants to a minimum basic knowledge of money management skills regarding banking, finance, savings, credit and so forth; many attempt to accommodate individual or familial goals. Johnson and Sherraden (2006) are among the latest to suggest that the term "financial capability" include not only the concept of education but also access to financial services and institutions, arguing that knowledge alone without access to the resources and services of financial institutions, especially for those coming from under- or unbanked communities, will not ultimately allow people to choose a financially literate lifestyle.

According to Hogarth (2006), the consistent themes running through various definitions of financial education include: (1) being knowledgeable, educated and informed on the issues of managing money and assets, banking, investments, credit, insurance and taxes; (2) understanding the basic concepts underlying the management of money and assets (e.g., the time value of money in investments and the pooling of risks in insurance); and (3) using that knowledge and understanding to plan, implement, and evaluate financial decisions [4].

Several researchers specifically examine financial literacy in a youth context. Australia's National Consumer and Financial Literacy Framework (NCFLF) states, "Consumer and financial literacy is important for all young people to empower them to make informed consumer decisions and to manage effectively their personal financial resources" [5]. There is growing interest in approaches to financial literacy that are subtly compulsory in nature, at the very least by making financially beneficial selections the default option, requiring consumers to choose actively against their long-term financial self-interest in order to opt out. Historically, workers have had to decide to opt in to these programmes, whereas many financial professionals suggest the default should be an automatic opt in, with an employee having to deliberately select her- or himself out. Caskey (2006) suggests that a default approach may lead to greater financial success, though it appears superficially to be at odds with some free market or democratic principles [6]. In their 2008 book Nudge, Thaler and Sunstein urge an approach they call libertarian paternalism. By libertarian, they mean liberty-preserving, in that no choice is foreclosed. Thaler and Sunstein reject the assumption that people will necessarily make choices in their best interest. They challenge as a misconception that it is possible to avoid influencing people's choices and also that paternalism always involves coercion. Their book applies libertarian paternalism to money, health, and other areas of social choice and freedom such as education, consumer decisions and relationships. In the money section, they address saving, investing and borrowing.

Efficiency of Financial Education

Currently, we have no clearly defined or widely accepted standards of excellence for financial education effectiveness, and certainly none pertaining specifically to youth financial education. The Treasury's Office of Financial Education offers eight elements of a successful financial education program, relating to the program's content, delivery, impact or sustainability. The primary purpose of the eight elements is to offer guidance to financial education organizations as they develop programs and strategies to achieve the greatest impact in their communities. Most of what is known about program effectiveness has been built on an adult program model and the bottom line of most studies is that there is not likely to be a one-size-fits-all financial education program for consumers. Chang and Lyons (2007), Borden et al (2008) and Lusardi (2008) are just three of the latest programme reviewers to note the impact of demographic descriptors such as gender, employment status, ethnicity, family background, educational level and other social markers on improvements in financial knowledge, satisfaction, or confidence, which again are the three measures that have most often been evaluated. The Borden et al study of a seminar-based financial education program (Credit Wise Cats) administered to college students shows that "the seminar effectively increased students' financial knowledge, increased responsible attitudes toward credit and decreased avoidant attitudes towards credit from pretest to post-test. At post-test, students reported intending to engage in significantly more effective financial behaviors and fewer risky financial behaviors" [7].

This study is typical of current research in that it charts vague measures of improvement based on a pre- and posttest model of assessment. Hathaway and Khatiwada (2008) in their Federal Reserve Bank of Cleveland Working Paper "Do Financial Education Programs Work?" come to research-based conclusions about both effective program design and the validity of evaluative measures that echo what so many scholars conclude regarding adult financial education. They find the best programme design advice is to target specific audiences and areas of financial activity (such as credit, or retirement planning), and to offer training on a just-in-time or "teachable moments" approach. In terms of general findings on the efficiency of financial education offerings, Mandell (2007) offers unique insight regarding the role of motivation in the success of programs. Nothing that successive iterations of the Jump$tart financial literacy surveys of high school seniors (of which there are now six) indicate a failure to show improvements in their levels of financial literacy knowledge, the 2006 survey introduced questions to determine the relevance to these students of basic concepts of personal finance, based on the hypothesis that "low financial literacy scores among young adults, even after they have taken a course in personal finance, is related to lack of motivation to learn or retain these skills". While surveys reveal that students do perceive that financial difficulties can be affected by their own actions, survey questions show significant evidence that students experience apathy rather than motivation in terms of managing and setting goals for their own personal finances and this lack of motivation correlates with students' consistently low financial literacy scores and reveal that programs addressed to these students need to teach why financial literacy is important. Meier and Sprenger (2007), in a study of self-selection into adult financial literacy programs, examine a similar motivation question. "Evidence from our field study shows that, even controlling for education and prior financial knowledge, time preferences influence the acquisition of new information. …Future research should investigate the relationship between time preferences and abilities like planning, imagination, and motivation in general" [8].

Evaluation and Assessment

Lyons (2005) and Hathaway and Khatiwada (2008) decry the lack of evidence regarding financial education's impact on behavior specifically because programs fail to incorporate meaningful "formal program evaluation methods in the design of the program itself" and that study authors "assume a casual relationship [between financial education and financial outcomes] where there is (often weak) correlation" [9].

Some general observations concerning evaluation include the following:

Pre- and post-tests appear to be the most pervasive approach to outcomes measurement. Lyons, Cheng and Scherpf (2006) also describe retrospective pretests (RPTs), in which "participants are asked to answer questions about their level of knowledge and behavior after the program. They are then asked to think back to their level of knowledge and behavior prior to the program".

Fox, Bartholomae and Lee (2005) cite as problematic the widely accepted assumption that the need for financial literacy is so great that "no further evidence is required" [10]. They find that program evaluations generally are one of two types: process or formative evaluations (which provide feedback for educators and program organizers to make improvements in the program itself), or impact or summative evaluations (collecting information on whether the program is making a difference in previously identified and desired outcome measures – does education impact behavior? Increase knowledge? Increase levels of confidence?) Like Hathaway and Khatiwada, Fox, Bartholomae and Lee suggest a 5-tiered evaluation program, as described by Jacobs (1988): preimplementation, accountability, program clarification, progress toward objectives, and program impact.

Evidence of Impact: Data

As it has been pointed out, due to weaknesses in assessment measures, Danes and Haberman (2007); Mandell (2006, 2008); Peng et al (2007); Valentine and Khayum (2005); and Varcoe et al (2005) have considered youth impacts. It should be noted that most impact studies cite the foundational work of two prior studies outside the timeframe of this report. The first is the 1999 Danes, Huddleston-Casas and Boyce study that, in 1997–1998, evaluated NEFE's High School Financial Planning Program (HSFPP) both at the conclusion of the curriculum and three months post delivery, finding increases in knowledge, self-efficacy and savings rates. The second is Bernheim, Garrett and Maki's 2001 study of the effects of statewide financial education mandates, finding evidence of positive effects of state mandates on savings rates and net worth during peak earning years. The following summarizes the findings:

1. Several gender differences before and as a result of the curriculum are highlighted. In sum, male teens reinforced their existing knowledge, whereas female teens learned significantly more about finances in areas with which they were unfamiliar prior to the curriculum [11].
2. The highest mean financial literacy score, 57 percent, was reached in the 1997-98 academic year. This fell to 51.9 percent in 2000, then again to 50.2 percent in 2002. It recovered slightly to 52.3 percent in 2004 and 52.4 percent in 2006 before falling to 48.3 percent in 2008 [12].
3. The study shows no significant relationship between high school financial education and investment knowledge. There was a significant relationship between college level financial education and investment knowledge [13].
4. Regression analysis shows that certain socialization factors such as having a part-time job of 10–20 hours per week, having a savings account, and being from a family with a relatively higher level of family income yield improved quiz performance [14].
5. The study shows improvement in all measured financial behaviors: saving, knowledge of ways to decrease auto insurance costs, and comparison and sale shopping [15].

Willis (2008) cites some flaws in data-driven financial education assessment. She maintains that data collection relating to financial education programs is frequently biased toward finding that the education has been effective. Participants tend to overestimate how much they have learned in courses when left to self-assess (which many of these evaluations do). Additionally, programs frequently bundle direct assistance (financial rewards, special loan programs, etc.) with education, in which case improved outcomes may be attributable to assistance rather than learning. Furthermore, there is a self-selection bias. Most financial education is voluntary, and researchers cannot randomize citizens into treatment and control groups.

Controversies

Several areas of controversy or significant intellectual disagreement exist concerning both youth financial education and its evaluation. Willis (2008) and Gross (2005) both identify a "blame the victim" subtext in financial education. Willis argues that policymakers' embrace of financial education as a means to consumer responsibility and empowerment, while deductive, is empirically unsupported and implausible given the velocity of change in the financial services marketplace and the persistence of emotional bias in the individual decision-making process (as documented by psychologists and behavioral economists). She also sees more pernicious aspects of what she views as the false promise of financial education. "With its focus on the responsibility and efficiency of the individual consumer, the financial literacy model absolves financial services firms and policymakers and deflects inquiry away from systemic societal and market failures". Similarly, argues Gross, money education is being solved as a tool for consumer empowerment and a cure for all that ails our consumer credit economy: financial ignorance, unhealthy debt burdens, predatory lending, mortgage foreclosures, joblessness and susceptibility to savvy lenders and scam artists. This approach is fundamentally flawed. It leads to a "blame the victim" mentality by erroneously assuming that individual knowledge acquisition alone will produce fundamental change in the consumer financial markets, an approach that also absolves a wide range of other entities, public and private, from responsibility. Willis suggests shifting the context away from the responsibility of the individual to seek his or her own financial best interest to a model of responsibility located within the financial services industry She describes several changes that could be imposed on the industry: affordable expert advice, welfare-enhancing defaults, true transparency through simplification of financial products toward clearer costs and benefits, aligning incentives between product sellers and consumers, imposition of liability on sellers whose actions and products harm consumers, and substantive regulation of risky or harmful products [16]. Lucey and Giannangelo (2006) advocate financial literacy tailored specifically to the needs of urban students, whose financial literacy needs include countervailing pressures to combat the "stronger consumer-based social pressures" and "self-images related to material comparisons" in urban settings. They further discuss the need to meet students where they are in terms of the socioeconomic functioning of their families and the possible scenarios for their access to financial institutions. For example, an introduction to financial institutions may need to start with a discussion of pawn shops and their costs and benefits and move from there to a discussion of banks and banking functions.

Conclusion

There is reason for concern about financial well-being on the individual, familial, community and national level, but also for some sense of progress on the issue of an educational counterattack against the ills of financial illiteracy. In recent years, programs have grown exponentially in number and emphasis, but financial education professionals know more about program design, implementation, success and next steps in the field of adult financial education than in the field of youth financial education. The need for financial education for children and youth is clear and compelling. It is not disputed, but neither is it championed. A plan of action is required for integrating financial education into state standards, training teachers, implementing curriculum, verifying behavioral impacts, widening disciplinary expertise and input, and resolving areas of professional disagreement. This study provides a snapshot of youth financial education status at a moment in time, in order to summarize what is known, delineate what is happening now, and provide direction for future efforts to educate the school-age population for a lifetime of financial decision-making and security in a dauntingly complex marketplace.

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