

2012 Research Priorities and
Research Questions

*Financial Literacy and
Education Commission*

*Research & Evaluation
Working Group*



Background

In 2008, the Financial Literacy and Education Commission (FLEC) developed a list of [research priorities](#). While many of these issues remain pertinent, other issues have arisen over time that need to be considered. The FLEC Research and Evaluation Working Group determined that it was time to update the 2008 research priorities and to expand these with a set of key research questions. Many of the research questions address traditionally underserved and vulnerable populations that may be financially fragile, and can least afford costly mistakes.¹

Purpose of 2012 Research Priorities. These research priorities are intended to inform the FLEC as a whole, individual member agencies and their sub-agencies, other federal government supporters of research, as well as private sector and academic researchers and other research funders. The objective is to address the most important questions facing the field, reduce duplication and overlap in the field, and make best use of limited research dollars.

Key Contributors. This document is informed by a number of events and stakeholders. Key contributors include representatives of the FLEC, members of the President's Advisory Council for Financial Capability's Research and Evaluation Subcommittee, leading academic researchers, non-profit financial educators and counselors in the field, research funders, and policy experts in financial education and financial access. Key events include:

- At the 2008 National Research Symposium on Financial Literacy and Education, the FLEC first identified key research questions that need to be addressed.
- On September 20, 2011, the FLEC's Research and Evaluation Working Group and the President's Advisory Council on Financial

¹ Throughout this document, we use the term "vulnerable populations" to include groups likely to face economic challenges and less likely to fully participate in the financial mainstream. These groups may include, but are not limited to: youth and young adults, the unemployed and under-employed, low-income consumers, those with little or no savings, other consumers outside of or partially outside of the workforce (for example, people with disabilities), and other vulnerable sociodemographic groups such as women and racial and ethnic minorities.

Capability's Research and Evaluation Subcommittee hosted a meeting at the Federal Reserve Board to begin updating the list of research priorities for the field.

- Additional rounds of review have included a broader set of FLEC-member agencies and related organizations.

This list of priorities is a living document to broadly guide research and research funding in the field. As the financial education field continues to evolve, research will be critical to understand what is effective, and cost effective, so that successful approaches can be replicated and supported through funding and policy.

Summary of Research Priorities

Participants at the September 20, 2011 FLEC research convening identified nine top issues as priority areas for research. Overall, participants agreed that additional funding is needed to address data gaps presented by these priorities.

- Evaluate the delivery of financial education for youth and adults in order to identify effective approaches, delivery channels, and other factors (such as the interaction of knowledge, products, and behaviors) that enhance effectiveness.
- Identify optimal combinations of financial information, advice, regulation, disclosure, and delivery mechanisms, including default options, and their impact on starting and maintaining positive financial habits.
- Employ longitudinal data to evaluate the effectiveness of core competencies on behavior and financial well-being over time.
- Identify, evaluate, and build consensus on “key metrics” for financial education/capability, including measures of knowledge, behaviors, and well-being.
- Identify and evaluate the relationship between financial education and access to and design of high quality financial products.
- Assess the role of business cycles and the economic and financial contexts in individuals' financial decision making.

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- Ascertain how risk and uncertainty, including economic and other shocks (such as natural disasters), alter risk exposure and risk management choices both at the consumer and community levels.
- Identify opportunities and roles for local, state, and federal governments as scalable platforms for financial capability.
- Identify and evaluate potential synergies between educational programs targeting financial capability and those targeting physical and mental health.

2012 Research Priorities with Suggested Research Questions

Evaluate Successful Financial Education Delivery

Evaluate the delivery of financial education for youth and adults in order to identify effective approaches, delivery channels, and other factors (such as the interaction of knowledge, products, and behaviors) that enhance effectiveness.

- What can past and current financial education curricula, delivery methods, and other approaches tell us about the most appropriate and effective content and delivery methods? How can those lessons be applied to traditionally underserved, low-income populations with low levels of literacy and numeracy? What can rigorous evaluation of programs that appear to be popular and effective tell us about the effective program components and practices, so that lessons learned can be disseminated and replicated?
- What delivery mechanisms – e.g., written materials, classroom instruction with peer and instructor interaction, online computer courses, self-administered versus instructor-administered assessments – and settings – e.g. home, employer, community group – work best at improving consumers’ financial behavior over time? For what groups? What outcomes can be expected? What new technologies – e.g., computer games, videos, technologies related to social media – work best?
- Who is effective at delivering financial capability-building messages and information? To what extent are media messages, social media, or other similar venues effective? What are indicators of high quality instruction and high quality financial advice, and how can those factors be replicated? What are the best delivery mechanisms for high quality, unbiased financial advice? What best practices exist and how can they be replicated and disseminated?
- What can we learn from existing data sources – e.g., national surveys of household finances, financial literacy surveys, administrative data from public benefits programs – about levels of financial education/literacy among the American public? How can these data sources be improved (e.g., through oversampling of specific subpopulations, addition of new questions, more timely availability of data)?

Identify Optimal Strategy Combinations

Identify optimal combinations of financial information, advice, regulation, disclosure, and delivery mechanisms, including default options, and their impact on starting and maintaining positive financial habits.

- What can the fields of behavioral economics and decision-making theory tell us about how individuals respond to different education approaches (defined broadly to include counseling, classroom education, and other approaches) and delivery mechanisms? Do responses vary by setting (e.g., government-based, work-based, education-based, financial institution-based, and community-based organizations) as well?
- How can behavioral approaches such as auto-enrollment in retirement savings plans and direct deposit of savings be most effectively combined with financial education/literacy efforts to optimize and manage long-term savings or other financial goals among participants, including vulnerable populations?
- What is the most effective mix of financial education, decision framing, and regulation to improve financial well-being? How does this mix vary across content, delivery channels, target audiences, etc.? Is it possible to develop an overarching framework for thinking about combining these three approaches or must effective combinations of financial education, decision framing, and regulation be developed on a case by case basis?
- How can consumers identify high quality, unbiased financial advice? How important is high quality financial advice for positive financial outcomes, as compared with no advice or advice that may be confounded by conflicts of interest?

Conduct Longitudinal Assessments

Employ longitudinal data to evaluate the effectiveness of core competencies on behavior and financial well-being over time.

- How effective are the core competencies identified by FLEC (earning, spending, saving and investing, borrowing, and protecting) in predicting financial behaviors and economic and overall well-being for individuals and families?

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- How can understanding of the core competencies, and the behaviors/actions reflecting that understanding, be measured and linked to indicators of economic well-being? What are appropriate indicators of economic well-being?
- What longitudinal data exist or can be developed to measure the impact of financial knowledge and behaviors on financial outcomes?

Identify Key Measures of Success

Identify, evaluate, and build consensus on “key metrics” for financial education/capability, including measures of knowledge, behavior, and well-being.

- What are the key metrics that would allow researchers and practitioners to measure the linkages between financial knowledge, financial behaviors, economic, and overall well-being outcomes for individuals and families?
 - How do cognition, “patience,” critical thinking, and decision making skills relate to financial knowledge, behaviors, and outcomes such as quality of living?
 - How are the behaviors and outcomes measured by the metrics affected by financial socialization and psychological factors and the intersection of these two?
 - How do these metrics vary by selected subgroups within the population: youth, newly independent younger households, older households, limited resource households, etc.? How do these metrics vary by content and delivery method?
 - What are the best ways to evaluate and disseminate these metrics and encourage their use by the broader research community and by practitioners?

Evaluate Interactions between Education and Product Design

Identify and evaluate the relationship between financial education and access to and design of high quality financial products.

- What combination of financial education instruction and access to high-quality financial products produces the best results in

participants' long-term financial well-being? What are the interactions between mode of instruction and content of instruction? What are the interactions between regulation, high quality financial products, and financial behavior?

Assess the Impact of Business Cycles

Assess the role of business cycles and economic and financial context in individuals' financial decision making.

- What are effective coping strategies and behaviors during times of financial crisis?
- What is the role of financial education and access to appropriate financial products in managing risk?

Explore the Impacts of Risk and Financial Shocks

Ascertain how risk and uncertainty, including economic and other shocks, alter risk exposure and risk management choices both at the consumer and community levels.

- How has the recent economic situation, with its impact on options and opportunities, changed effective coping strategies and behaviors during times of financial crisis? How persistent are those changes?
- How do specific household risks, such as unemployment, changes in health, changes in household composition, and disability interact with financial knowledge and behaviors to affect financial well-being?
- What are different coping strategies used by communities that face more persistent economic risks and problems (unemployment, lack of financial infrastructure)?
- How do people perceive and manage risk, and what are their financial risk tolerances and capacities?
- What is the long-term economic impact for households who experience extended periods of economic shocks and risk exposure, including unemployment, natural disasters, foreclosure, bankruptcy, and so forth.

Identify Local, State, and Federal “Scalable” Opportunities

Identify opportunities and roles for local, state, and federal governments as scalable platforms for financial capability.

- Would financial education strategies embedded in existing government platforms such as benefits programs like the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Medicaid, and Social Security or other payments such as unemployment benefits or tax refunds effectively reach the intended audiences? What other federally-supported delivery mechanisms could be effectively merged with financial education and financial access opportunities, such as job training and placement, student lending, early childhood education, and others. Can connecting with health care and health literacy efforts be effective? What approaches are cost effective and have desired outcomes?
- What is the relationship between regulatory reform and the development of financial capability? Can improved disclosures be effective financial capability tools?

Leverage Synergies with Other Subject Areas

Identify and evaluate potential synergies between educational programs targeting financial capability and those targeting physical and mental health.

- What lessons can be learned from the experiences of health literacy educators, nutrition educators, and others that can translate into financial education initiatives? What insights from financial education efforts may be helpful in framing physical and mental health efforts?



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