

## **Youth Subcommittee**

### **Ideas for Improving Youth Financial Capability**

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#### **Background**

Financial capability starts with financial education. Too often, however, we fail to provide youth with the knowledge and skills that would prepare them to effectively earn, spend, save, borrow, and protect against risk as adults. Since first convening last November the Youth Subcommittee has reviewed reports, research literature, and curricula, identifying opportunities with the potential to significantly improve financial education for youth. We believe that every young person in America should receive a high-quality financial education and are committed to developing ideas with the potential to help us achieve that goal. To illustrate the scale and ramifications of the challenge confronting us: according to a report from the Institute for Higher Education Policy, 41 percent of federal student loan borrowers included in the study were “delinquent at some point” during their first five years of repayment.<sup>1</sup> If we are to answer President Obama’s call to “win the future,” this work to increase the next generation’s financial capability is imperative.

In addition to developing new ideas, we have begun identifying concrete ways to support and promote effective government programs and resources. Subcommittee members promoted this year’s National Financial Capability Challenge and have started to spread the word about the Department of Education’s Public Service Loan Forgiveness and Income-based Repayment programs. Better leveraging existing programs and resources will enable us to focus our recommendations on areas that demand fresh ideas and attention.

#### **Intended Areas of Focus**

In our initial conversations, members of the subcommittee identified three key pain points that present opportunities for increasing students’ financial capability:

- ❖ Translating financial education standards into consumer-friendly guidelines
- ❖ Increasing the effectiveness of in-school financial education
- ❖ Equipping students to make decisions about investing in post-secondary education

#### *Money Milestones*

The first area of focus emerged as subcommittee members discussed the challenge of providing parents with clear expectations around the financial capability lessons children should be expected to master as they grow. Educators and researchers have developed a wide array of financial education standards (or learning expectations) for classrooms, but to date these standards have not been woven together in a cohesive set of guidelines designed for families. Such a set of guidelines, or “Money Milestones,” would pave the way for public awareness campaigns and other efforts. Our model would be that of the federal government’s recently revised dietary guidelines, which are as simple as “fill half your plate with fruits and vegetables.” For example, “There is a difference between items you want and items you need.” The Financial Literacy and Education Commission (FLEC) has already woven existing standards into a set of core competencies; Money Milestones would take the added step of translating the core competencies into consumer-friendly guidelines, organized by age group. Parents and teachers

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<sup>1</sup> Cunningham, Alisa F. and Gregory S. Kienzl. 2011. *Delinquency: The Untold Story of Student Borrowing* Washington, DC: Institute for Higher Education Policy.

would use Money Milestones to support one another in helping students develop the knowledge, attitudes, and behaviors that lead to financial capability.

#### *K-12: Effective in-school financial education*

Today, despite educators' belief in the importance of financial education, few educators say they have the background and capacity to teach the subject.<sup>2</sup> Solving this problem is essential if we are to achieve our vision for increasing students' financial capability. We are encouraged to see several school districts, in partnership with the Jump\$tart Teacher Training Alliance, piloting new teacher training programs to test whether increasing teachers' knowledge of financial content improves the effectiveness of their instruction. Moving forward, we envision the Federal government encouraging states, school districts, and teacher preparation programs to join in increasing the effectiveness of personal finance educators through pre-service and in-service training for elementary, middle, and high school teachers.

The subcommittee is also looking for ways to integrate the emerging FLEC core competencies into new tools and curricula and to identify proven methods of teaching personal finance to students from kindergarten through high school. To spark the development of high-quality tools and curricula that student would perceive as relevant to their lives, we are considering the idea of a competition for experiential learning strategies. The competition would have two categories—elementary and high school—and would involve a series of prizes for specific technology platforms and modalities, such as text messaging, video games, and hybrid or blended learning. Technology-based tools and curricula reflect the digital reality of our students' lives and would enable innovations, once proven effective, to quickly scale. In keeping with the Council's mandate, we would seek to include platforms and modalities relevant to schools in low-income communities.

In tandem, the subcommittee is pursuing ideas that would support the increased visibility and effectiveness of the National Financial Capability Challenge while assessing the content and process of past Challenges in order to assure that the program is having a meaningful impact.

#### *College: Effective entrance/ exit loan counseling*

Financing college is the first major financial obstacle that many students face. While there are many elements of this topic, subcommittee members were most interested in entrance/ exit loan counseling. Students who take out Federal loans are required to complete loan counseling, but its scope and rigor can vary widely. Uncovering and promulgating best practice counseling programs and modules, through a competition, would encourage colleges to use this critical touch point as a chance to increase students' financial capability around loans, debt management, credit cards, and other topics. As we encourage students from low-income communities to attend college, we should also encourage colleges to ensure that their students graduate with the financial capability to manage a reasonable debt burden.

In all these efforts, we would emphasize the importance of accountability and outcomes. We can better empower educators and families to make decisions about financial education for youth if we have rigorous evaluations and tools for comparing programs and resources.

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<sup>2</sup> The National Endowment for Financial Education funded a study at the University of Wisconsin-Madison from 2006-09 that examined teachers' background and capacity to teach personal finance. The study found that 89 percent of teachers agree or strongly agree that students should take a financial literacy course or pass a test for high school graduation, but less than 20 percent feel very competent to teach financial topics.

## **Action Items**

As a next step, we will determine the Council's relative interest in these topics and the relationship between these topics other subcommittee ideas and recommendations. In particular, we think all three ideas would complement a public awareness campaign and/ or a platform designed to organize financial education resources.

We also intend to hold town halls focused on these topics, providing the public with an opportunity to offer feedback and recommendations.