Financial Education Survey Report

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Bank of America

United Way

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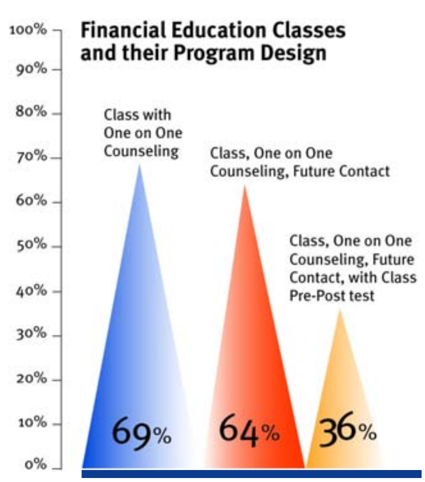
The collaboration was born of Bank of America and United Way's mutual desire to address the challenges of the working poor trying to move into the economic mainstream. The benefits of an asset building approach will extend to individuals, families and to their communities for generations. With a 61 percent survey response rate, we now have a reasonable picture of the financial education field, including its scope and areas for improvement. The purpose of this report is to determine what services are available, as well as where improvements can be made.

Building Assets through Education

Asset building, one of United Way of Massachusetts Bay's core strategies, is the investment in policies and programs that move low-income individuals and families into the economic mainstream. It is an overarching framework for UWMB's sustainable employment and affordable housing impact areas. Financial education is a common denominator among many asset building programs. Although financial education programs are becoming more widespread, the field is still in its infancy.[1] Financial literacy is known as the ability to understand financial terms and concepts and to translate that knowledge skillfully into behavior.[2]

Making the case: Facts about Assets

- More than one-quarter of American households are asset poor. If their income flow is disrupted, their total savings will sustain them for no more than three months.[3]
- Up to 20 percent of American families lack checking or savings accounts. Consumer debt has doubled in the past decade. Credit card debt among very low-income families grew by 184 percent between 1989 and 2001.[4]
- The growing complexity of financial markets, which widens the choices people have to save, invest, and take or avoid risks, requires knowledge to work toward a sound financial position.[5] With only 25 percent of Americans who feel very well informed about managing household finances[6], low-income households are particularly susceptible to financial crises.[7]
- A growing body of research demonstrates that low-income families have both the will and the ability to save.[8]
- In this early stage of the financial education field, studies report favorable behavioral results from financial education programs linked to services for low-income households.[9]



What is Offered?

Classes Three-quarters of the agencies offer basic, overall financial education. One-quarter of the agencies integrate financial education as a component within another type of class, mostly homeownership, but also adult basic education classes.

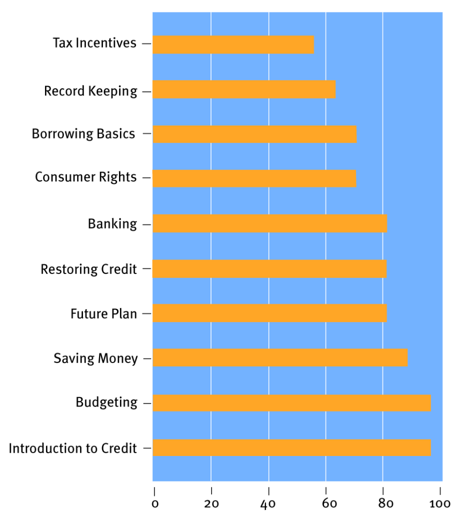
Contact & Measurement Roughly two-thirds of the agencies offering financial education also provide individualized counseling for financial goals and a commitment to follow up with the students post-class to track their progress. About one-third of the agencies conduct a class pre-test/post-test to assess knowledge gained.

Time The typical class is 10 hours broken down into multiple sessions (usually 4 sessions at 2.5 hours). However, the range is vast. For example, one agency has 12 sessions at 1 hour each.

Language & Outreach With the exception of one agency who offers classes exclusively in Spanish, all classes are offered in English. Seven agencies also offer classes in Spanish. Prospective participants mostly learned of classes by referral, from within an organization or externally. Word of mouth, website, program requirement, or events/fairs are also outreach mechanisms for agencies.

Instructors 88 percent of respondents have guest instructors as part of their program design, and those guest instructors were highly rated (38 percent excellent, 31 percent very good, 31 percent good). Respondents said guest instructors would be even more effective if they had a greater cultural competence (64 percent) and better understanding of instructional styles for adult learners (82 percent).

Topics Covered



Curricula

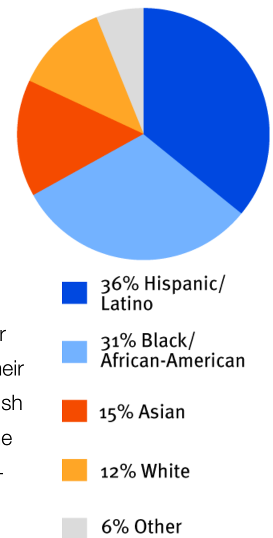
Six topics are offered over 80 percent of the time across curricula and agencies.

Notably, half of the respondents who developed their own curricula rated it higher, although, in general, ratings were good to very good. Three agencies used FDIC Money Smart, three used Freddie Mac Credit Smart, one agency used NeighborWorks' Financial Fitness and another used Pathways to Prosperity.

- The agency-developed curricula's strengths include adaptability to student needs and increased interaction. However, use of additional topics or further resource materials would be an improvement.
- NeighborWorks is simple and easily understood, yet, could use more visuals.
- Pathways to Prosperity provides clarity, examples and resources, but was not specifically designed for immigrants and refugees.
- FDIC Money Smart gives basic information in an easy-to-use manner for students and instructors, including an online mechanism. However, it had limited practical exercises.
- Freddie Mac Credit Smart covers a broad range of information and is easily understood. Freddie Mac requires that curriculum not be adjusted and therefore, it is not adaptable for participants' needs. In addition, Credit Smart needs more details regarding credit reports and what defines a credit score.

Credit Smart and Money Smart did not cover insurance and investing, whereas Pathways to Prosperity, and the agency-developed curricula did cover these topics. Money Smart did not cover tax incentives/credits, whereas others did.

Who took the classes?



Demographics Average class size is 17, three-quarters female, with 51 percent of the class born outside of US (predominantly from Central America and, secondarily, from South America), with three agencies having 100 percent of their participants born outside US with their first language being other than English (40 percent overall). Two-thirds of the participants are either Black/African-American and/or Hispanic/Latino.

Age Over two-thirds of participants are in the category of 25-54 years of age, with over half having dependents less than 18 years of age. However, the balance is closely split between the 18-24 and 55-64 age categories.

Financial Institution Relationships Over 75 percent of participants live in neighborhoods where rent-to-own, check cashers, payday and/or predatory lenders have a presence. Although over 50 percent of the respondents report that 76-100 percent of their participants have a relationship with a financial institution, a significant portion either cannot report on this question or have a lower percentage of "banked" participants.

Education & Income 77 percent of the respondents report a participant's typical income of $25,000 or less. A majority of participants (58 percent) have a high school diploma or GED, however the balance is largely split between unknown or less than high school diploma/GED.

Outcomes

Most agencies target the following basic outcomes:

- knowledge gained
- improved money management and decision making skills
- repaired bad credit

The second tier of outcomes includes:

- opened bank account
- increased savings as a percentage of income
- acquired assets (home purchased/degree earned/ business capitalized)

However, the most widely used method of measuring outcomes is the number of participants who completed the class (93 percent). 64 percent of agencies incorporated a follow-up into the program design. As stated earlier, only 36 percent of agencies conduct a class pre-test/post-test to assess knowledge gained. Therefore, the outcomes sought are sometimes disconnected from their measurement.

Suggestions for the Future

Agency respondents reported that a mechanism to do the following would be helpful:

- sharing of best practices
- training for instructors, particularly around adult learning styles and cultural competence
- mentoring for participants

Conclusions

This survey was a first step to get a local snapshot of the financial education field and to ascertain what might be helpful in building this relatively new field. In addition to respondents' suggestions and based on the survey results, development of a class pre-test/post-test of core competencies may prove beneficial. Overall, developing a community tool—a set of guidelines and measures for quality financial education programs via an affinity group of providers—will be the next step.

1 Elizabeth Bell and Robert I. Lerman, "Can Financial Literacy Enhance Asset Building?" Opportunity and Ownership Project, The Urban Institute, No. 6, September 2005.
2 Kathy Jacob, Sharyl Hudson, Malcolm Bush, "Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families," Woodstock Institute, 2000.
3 Heather McCulloch, "Promoting Economic Security for Working Families: State Asset Policy Initiatives," Fannie Mae Foundation, July 2005.
4 Annie E. Casey Foundation, Building Family Economic Success: Financial Services, www.aecf.org/initiatives/fes/pdf/onepage/fes_finservices.pdf.
5 Sandra Braunstein and Carolyn Welch. "Financial Literacy: An Overview of Practice, Research, and Policy." Federal Reserve Bulletin, November 2002: pp. 445-57.
6 Jump$tart Coalition, "Making the Case for Financial Literacy, 2004," www.jumpstartcoalition.com/upload/ACF2F0E.doc.
7 Steven G. Anderson, Min Zhan, and Jeff Scott, "Targeting Financial Management Training at Low-Income Audiences: Bits, Briefs, and Applications," Journal of Consumer Affairs 38(1): 167-177, June 22, 2004.
8 McCulloch, Fannie Mae Foundation, 2005.
9 Bell and Lerman, The Urban Institute, p. 4.

**For questions regarding this report, please call United Way of Massachusetts Bay at 617.624.8120.
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