Building blocks to help youth achieve financial capability

Sunaena K. Lehil, Office of Financial Education

Consumer Financial Protection Bureau

About the research

- The developmental model was created through three stages of investigation:
  - **Analysis of consumer interview transcripts** from the well-being research to understand experiences in youth that contribute to financial identities and values
  - **Extensive review of published academic research** to uncover what is known and not yet understood
  - **Consultation with national experts** from a variety of disciplines to gain insights not yet reflected in published literature

What are the financial capability building blocks?

	1 Executive function	2 Financial habits and norms	3 Financial knowledge & decision-making skills
What it is	Self-control, working memory, problem-solving	Healthy money habits, norms, rules of thumb	Factual knowledge, research and analysis skills
What it supports in adulthood	Future orientation, perseverance, planning and goal setting, general cognitive flexibility	Decision shortcuts for navigating day-to-day financial life and effective routine money management	Deliberate financial decision-making strategies, like financial planning, research, and intentional decisions
Examples of financial application	Saving, setting financial goals, developing and executing budgets	Having a system to pay bills on time	Effective comparison shopping

Development is a continuous process

	1. **Executive function** *Self-control, working memory, problem solving*	2. **Financial habits and norms** *Healthy money habits, norms, rules of thumb*	3. **Financial knowledge and decision making skills** *Factual knowledge, research and analysis skills*
Early childhood (ages 3–5)	✓	Early values and norms	Basic numeracy
Middle childhood (ages 6–12)		✓	Basic money management
Adolescence and young adulthood (ages 13–21)	Development continues	Development continues	✓

Recommendations

For implementing the developmental building blocks

Four strategies that support youth financial capability

1. For children in early childhood, focus on developing executive function
2. Help parents and caregivers to more actively shape their child’s financial socialization
3. Provide children and youth with experiential learning opportunities
4. Teach youth financial research skills

Early childhood: focus on executive function

- Executive function refers to mental processes that enable us to plan, focus attention, remember instructions, and juggle multiple tasks successfully
- It is critical to achieving financial well-being
- Executive function training in financial contexts include: imaginary play and play-based learning activities where kids set goals and manage resources (e.g. grocery list and buying food)

Middle childhood: Help parents/caregivers support child's financial socialization

- Financial socialization is an ongoing process by which children and youth develop the financial attitudes, habits, and norms that guide their financial behaviors
- Children develop values, norms, and habits through observation of peers and adults
- This is a good window of opportunity for parents to explicitly teach and model healthy financial values and behaviors
- For example: involving children in routine financial activities such as setting a budget and helping them to make small spending decisions

Provide experiential learning opportunities throughout childhood and youth

- Experiential learning opportunities support financial capability by encouraging children and youth to take initiative, make decisions, experience the results of their choices in a safe environment, and learn through reflection
- Explicit instruction in personal finance should be complemented with experiential learning opportunities
- Children and youth in all stages of development benefit from experiential learning

Teach youth financial research skills

- Most major financial decisions that adults make require them to gather information through research, use the information to consider trade-offs, and act on that information in a way that serves their life goals
- Youth with financial research skills are more flexible and adaptable consumers who are able to navigate changing financial markets and situations over their life course
- Financial research skills can be taught in middle childhood, adolescence, and young adulthood

Bringing it all together

- This new research provides evidence-based insights and promising strategies
- Defines what children need to learn and when
- Children and youth need a broader set of developmental building blocks that can be acquired and honed in the home, schools, out of school programs, and in the workplace
- Thus, schools, parents, youth programs, policymakers, and financial institutions all have an important role

How we’re putting this research into practice

- Money as you grow
- Money as you grow book club
- Youth personal finance pedagogy

www.consumerfinance.gov/youth-financial-education

www.consumerfinance.gov/money-as-you-grow

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www.consumerfinance.gov/youth-financial-education

Consumer Financial Protection Bureau

FEDERAL DEPOSIT INSURANCE CORPORATION

Youth Savings Pilot

Luke W. Reynolds

Chief, Outreach & Program Development, DCP

Goals

- Give K-12 educators resources they can use to feel prepared and confident
- Encourage parents and caregivers to have conversations and do activities with their kids
- Promote hands-on learning, with a particular focus on financial education tied to savings accounts

Money Smart for Young People

- Money Smart for Young People series:
  - Grades Pre-K-2
  - Grades 3-5
  - Grades 6-8
  - Grades 9-12
- Components for:
  - Teachers
  - Students
  - Parents/Caregivers
- Alliance

FDIC Youth Savings Pilot

- **Goal: highlight promising ways to combine financial education & savings accounts for school-aged children**
- **Two Phases – 21 participating banks**
  - I: 2014-2016 Academic Year (existing programs)
  - II: 2015-2016 Academic Year (new or expanded programs)

Pilot Participants

- Athol Savings Bank
- Bank of Hawaii
- Beneficial Bank
- Caldwell Bank & Trust
- Capital One, NA
- Commercial Bank
- Fidelity Bank
- First Bank of Highland Park
- First Metro Bank
- International Bank of Commerce
- Montecito Bank & Trust
- Passumpsic Savings Bank
- PNC Bank, NA
- Reading Co-operative Bank
- ServisFirst Bank
- Southwest Capital Bank
- The Hastings City Bank
- The Huntington National Bank
- Treynor State Bank
- Wesbanco Bank
- Young Americans Bank

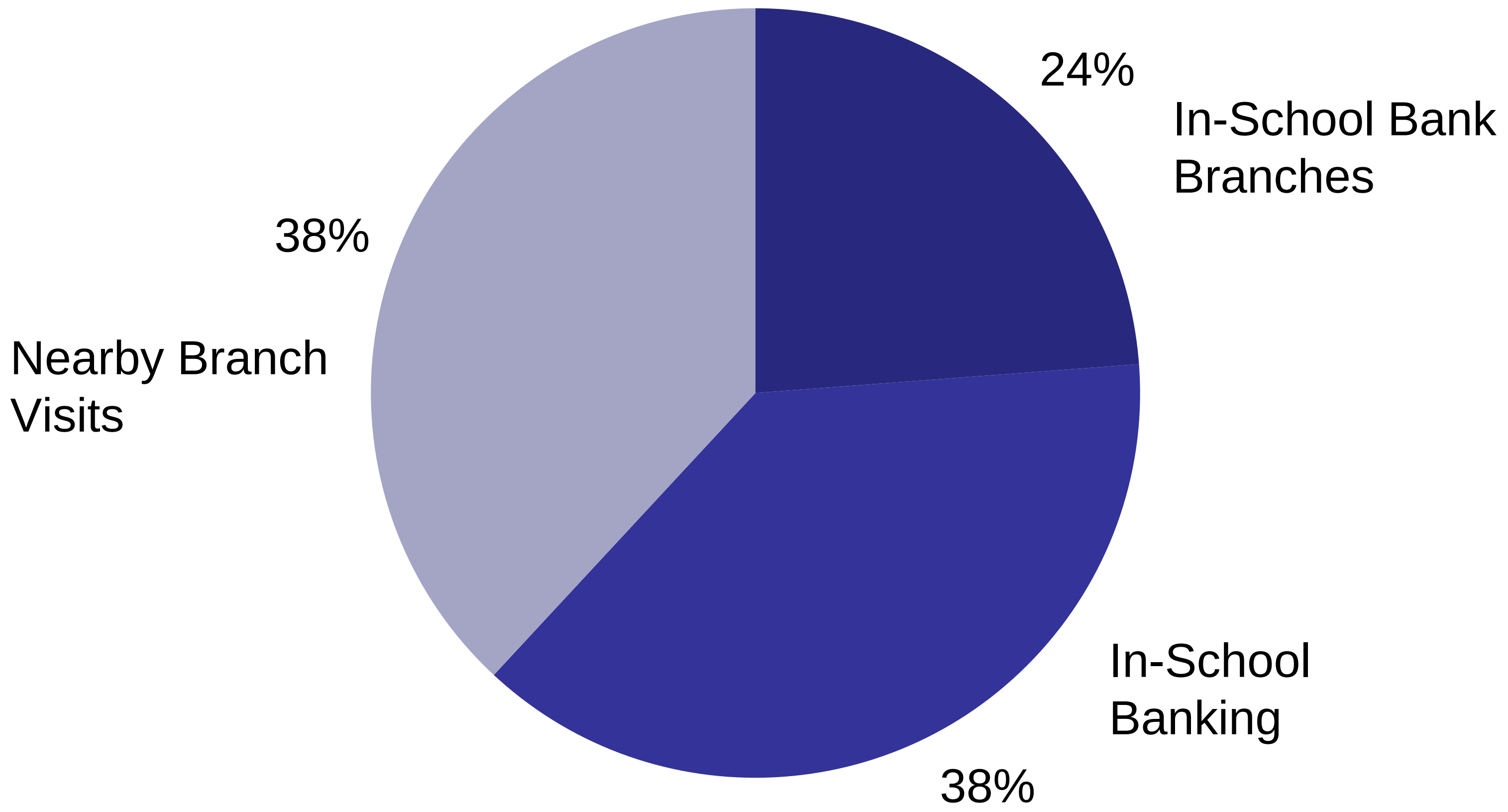
Pilot Methodology

- **Selection process**
- **Engaging participants included:**
  - 90 bank interviews
  - 6 group calls with all banks
  - 42 surveys of banks
  - 12 surveys of school partners
  - 1 site visit
  - Periodic e-mail updates

Model Approaches

- **Three approaches:**
  1. School Branches
  2. In-School Banking (activities in school common areas on designated days)
  3. Nearby Branch Visits (with school-based financial education)
- **Not mutually exclusive**
- **All have interaction with local branches**

Frequency of Approaches



Developing Collaborations

- **Successful Strategies**
  - Leveraging existing connections with teachers, administrators or school boards
  - Working with third-party intermediaries that have existing programs with/for schools
  - Identifying and supporting school champions
- **On-going Challenges**
  - Time allocation from the school
  - Getting parent buy-in for student banking
  - Addressing student transitions

Account characteristics

- **More than 4,500 new savings accounts**
- **Ownership structure varied**
  - Non-Custodial
  - Custodial (parent/guardian)
  - Custodial (school, nonprofit, or other 3rd party)
- **Other key features:**
  - Incentives
  - Student transitions
  - Mobile technology

Financial Education Delivery

- **Delivery approaches**
  - Formal instruction
  - Peer-based
  - Just-in-time information sharing
- **Consensus on fun and interactive approaches**
- **Teacher involvement**
- **Role of bank**

Financial Education Delivery, cont'd

- **Some banks enhanced existing financial education at a school; others introduced financial education to their schools**
  - Integration with social studies or math
  - Complementing savings goals
- **Variety of curricula, including Money Smart for Young People**

Reasons Banks and Partners Participate

- **Reported benefits include:**
  - Staff satisfaction and community goodwill
  - CRA credit for predominantly LMI Schools
  - Building a pipeline of future customers
  - Developing account relationships with school staff, students, parents, and others
  - Improving financial skills, knowledge and attitudes of students
  - Enhancing general academic performance

Program Elements

- **Contributions reported by banks**
  - Staff time
  - Materials
  - Marketing
  - Monetary incentives
  - Account set-up
- **Partner contributions**
  - Staff time
  - In-kind services (e.g., space)
  - Account matching (e.g. college savings)

Youth Savings Guidance

- ***Interagency Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions* (2/24/15)**
  - Opening accounts for minors
  - Application of Consumer Protection Laws
  - Customer Identification Program requirements
  - CRA Consideration
  - When are branch applications not required

Identification of key state rules

- **Collaboration between FDIC and Conference of State Banking Supervisors (CSBS)**
  - Research to identify state-specific laws or rules pertaining to youth banking
  - Examples
    - State laws pertaining to age for non-custodial deposit accounts
    - Branch application exceptions for school banking

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FLEC Meeting – November 2016

Evaluating an Experiential Approach to Elementary-School-Based Financial Education

A project supported by the U.S. Department of the Treasury's Financial Empowerment Innovation Fund

Elizabeth Odders-White
University of Wisconsin-Madison

Motivation: Start in Elementary School

- Elementary-school-based programs have several potential advantages:
  - Reach *all* children
  - Counteract misinformation received elsewhere
  - Establish positive norms before bad habits take hold
- Need build a body of research (rigorous evaluations) E.g., earlier work supported by the Dept of the Treasury's AFCO Youth Pilot

Motivation: Focus on Experiential Learning

- Existing research suggests that experiential learning may be a promising means of building positive financial attitudes, skills, and habits ("financial socialization").
- Contrasts with more formal (traditional) curricula
  - Greater focus on behaviors
  - Requires less teacher training
  - Highly customizable

My Classroom Economy

- A free K-12 classroom management tool involving a simulated economy (myclassroomeconomy.org)
- Students learn through repeated practice:
  - Earning classroom currency for performing jobs
  - Managing expenses (e.g., renting/buying their desks)
  - Earning bonuses or incurring fines
  - Making spending decisions at classroom auctions/stores

Evaluation Implementation

- Partnership with School District of Palm Beach County
- Roughly 2000 students in 115 classrooms at 24 schools, primarily in grades 4 and 5 (ages 8 to 11)
- Schools randomly assigned to treatment or control
  - Treatment group began My Classroom Economy (MCE) at the beginning of the 2015-16 school year.
  - Control group began MCE in the second trimester.

Evaluation Implementation (continued)

- 3-hour training sessions for teachers
- Materials and funding for classroom stores provided
- Student surveys
  - Administered at the beginning and end of the first trimester (August and November)
  - Examine changes in a set of outcomes related to financial capability
- Teacher and parent surveys administered in November

Six Categories of Outcome Measures

- Financial knowledge (13-item quiz)
- Budgeting behavior (5-item scale)
- Planning behavior (4-item scale)
- Self-control (5-item scale)
- Financial socialization (2-item scale)
- Financial experiences (5-item scale)

Note: All based on prior work.

Financial Knowledge

Sample questions (all multiple choice or T/F)

- A plan for spending money is called a ______.
- Jill had $50 in her checking account. She made a withdrawal of $10 and a deposit of $20. What is Jill's balance in her checking account?

Findings (controlling for race, gender, age, numeracy):

- Somewhat modest but statistically significant gains
- Notable given no "lessons"

Budgeting, Fin Socialization, & Experiences

Sample questions (5-point scales or Y/N)

- How good are you at keeping track of what you spend your money on? (Budgeting)
- How often do you talk to your family about financial issues? (Financial socialization)
- Do you currently have a bank account in your own name? (Experiences)

Findings: Statistically significant gains

- Larger effect sizes for budgeting and experiences

Self-Control and Planning

Sample questions (5-point scale)

- How often do you set goals for yourself? (Propensity to plan)
- How hard is it for you to avoid spending any money you have right away? (Self-control)

Findings: No statistically significant gains

- May involve broader issues (less financially focused)
- Could require longer exposure

Variation by Sub-Groups

- Also examine MCE's incremental effects based on
  - Student's gender
  - Student's numeracy (math score from 2014 test)
  - School SES (fraction free or reduced lunch)
  - Parent/guardian English as second language
- No statistically significant variation except for socialization: Girl (+) and SES (-)

Summary

- Statistically significant gains in financial knowledge, budgeting, financial socialization, and experiences after only 10 weeks of an experiential financial ed program
- Knowledge gains similar to more traditional financial education program
- High marks from teachers; relatively low barriers to implementation; aids classroom management
- Promising component of a comprehensive effort?

FINANCIAL CAPABILITY PILOT

Supported by the U.S. Treasury Department's Financial Empowerment Innovation Fund

MindBlown Labs

COMPONENTS

- ✓ Hands-on Curriculum
- ✓ Web/Mobile Game
- ✓ Teacher Training
- ✓ In-School Accounts

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PARTIES INVOLVED

- MindBlown Labs
- Cincinnati Police Federal Credit Union
- Economics Center at the University of Cincinnati:
  - Education Division
  - Research Division
- Filene Research Institute

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PILOT DESIGN

- **2** high schools in Northwest Local School District
- Cincinnati, OH
- **800+** juniors and seniors
- Required government course
- **3** weeks
- May **2016**

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DATA SOURCES

- ✓ Pre/Post Survey Data
- ✓ Gameplay Data
- ✓ Account Data (Savings & Checking)

PRE-PILOTS

- ✓ **8** Pre-pilots
- ✓ **490** Students
- ✓ States: CA, TX, MN, KY

RESULTS OF PRE-PILOTS

- ✓ **70%** of students develop positive savings behaviors
- ✓ **90%** of students develop more positive attitudes around money

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OFFICIAL PILOT*

(CINCINNATI)

* Findings that follow are based on a preliminary data analysis

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PRELIMINARY FINDINGS*

- Students who played Thrive ‘n’ Shine experienced the following results:
  - Positive increases in the majority of financial capability knowledge indicators measured
  - Large increases with respect to confidence in their ability to manage money and their ability to manage debt
  - Substantial increases in their understanding of: term interest trade-off; compound interest; insurance; and income taxes
- Analysis of real-life savings behaviors in progress

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*based on small sample size

KEY TAKEAWAYS*

- Students respond very positively to a game-based approach
- Games can naturally account for students learning at different paces
- Any game-based approach must account for varying levels of technological access
- Training for teachers is important
- Curriculum must be very flexible

* Based on pre-pilots, official Cincinnati pilot, and research.

MindBlown Labs

THANK YOU

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Boosting the Power of Youth Paychecks

Integrating Banking, Saving & Credit-building into Youth Employment Programs

MyPath – History

- 1971 Mission Area Federal Credit

  Union established
- 2007 Credit Union Board hires ED

  to launch non-profit affiliate
- 2011 MyPath spins off as independent nonprofit with a youth focus
- 2013 SF Fed publishes groundbreaking White Paper on MyPath Savings
- 2014 MyPath begins first rigorous study of a youth financial capability model
- 2015 MyPath builds key scaling infrastructure and new Credit model
- 2016 MyPath initiatives in 8 cities, serving 4,500 low-income working youth

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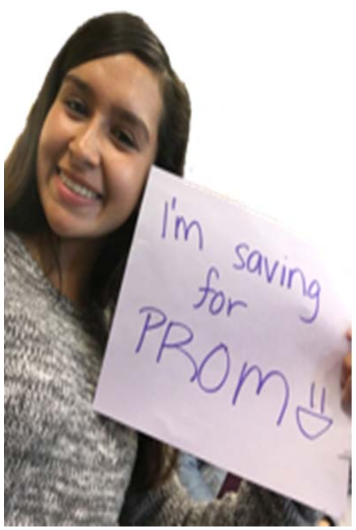
MyPath Vision

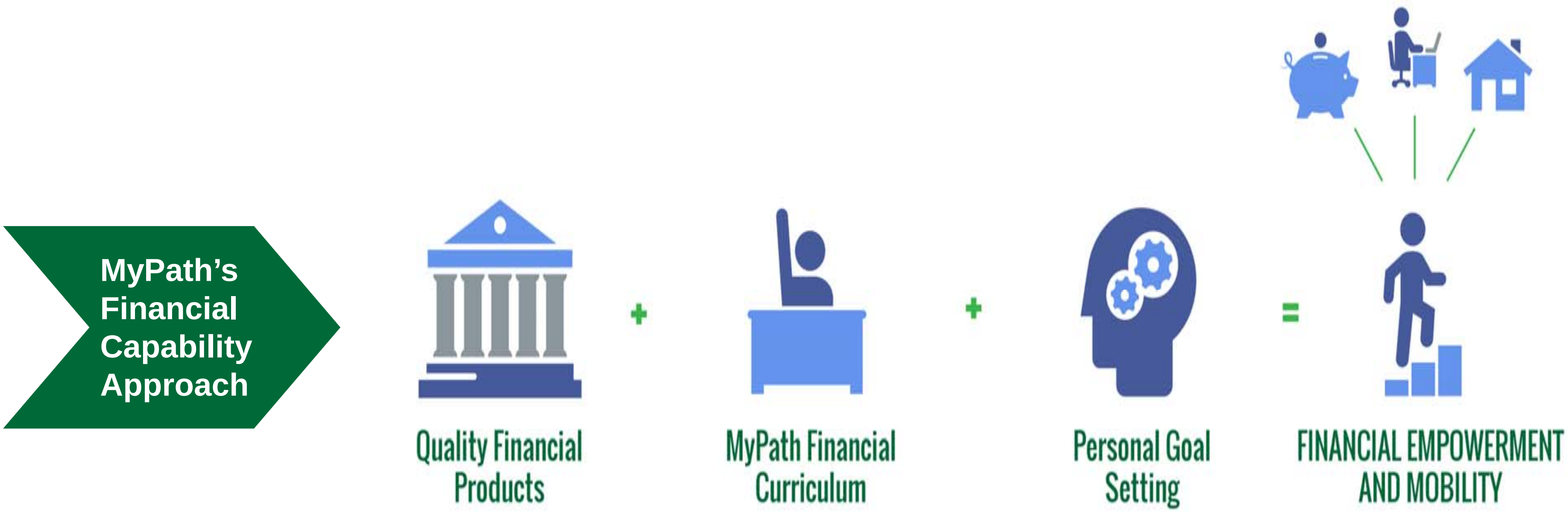
Every low-income working youth has the chance to make their first paycheck not just about income, but about lasting economic mobility.

- Income alone isn’t enough to disrupt poverty
- 20 million youth ages 16-24 participating in the workforce
- Many low-income working youth growing up in “financial deserts”
- Many barriers to youth banking, particularly for minors
- Research demonstrates the power of starting early

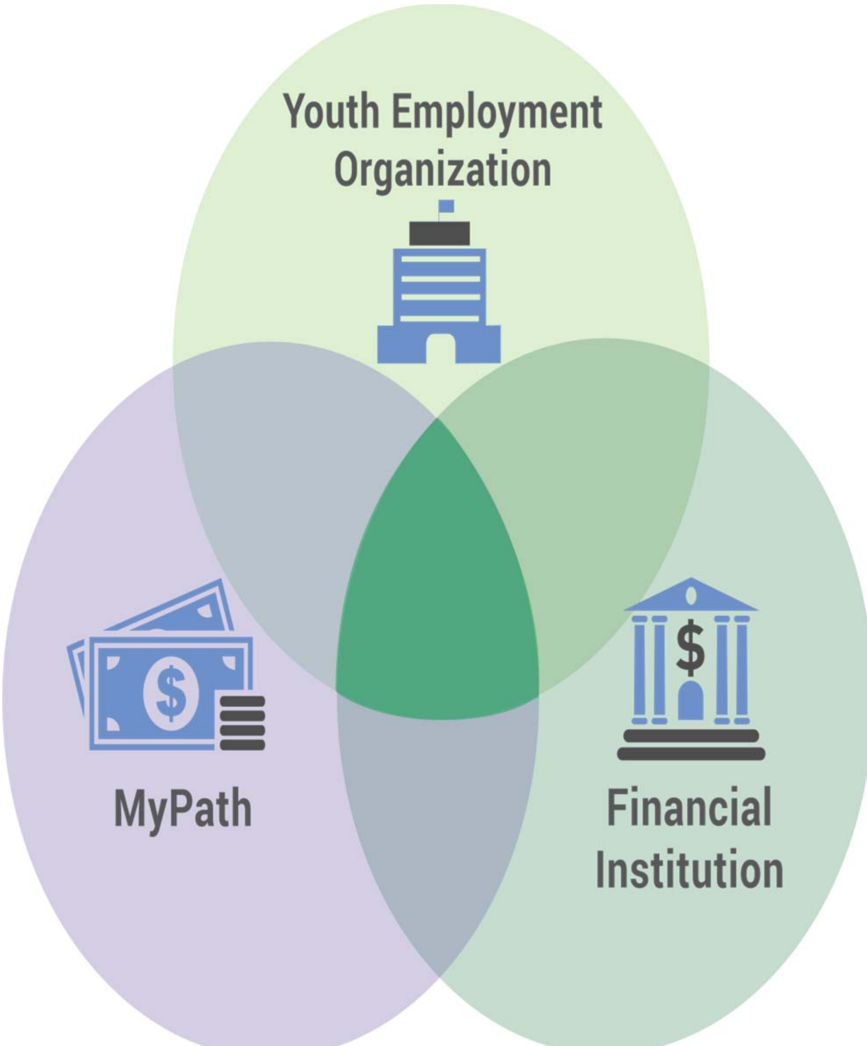


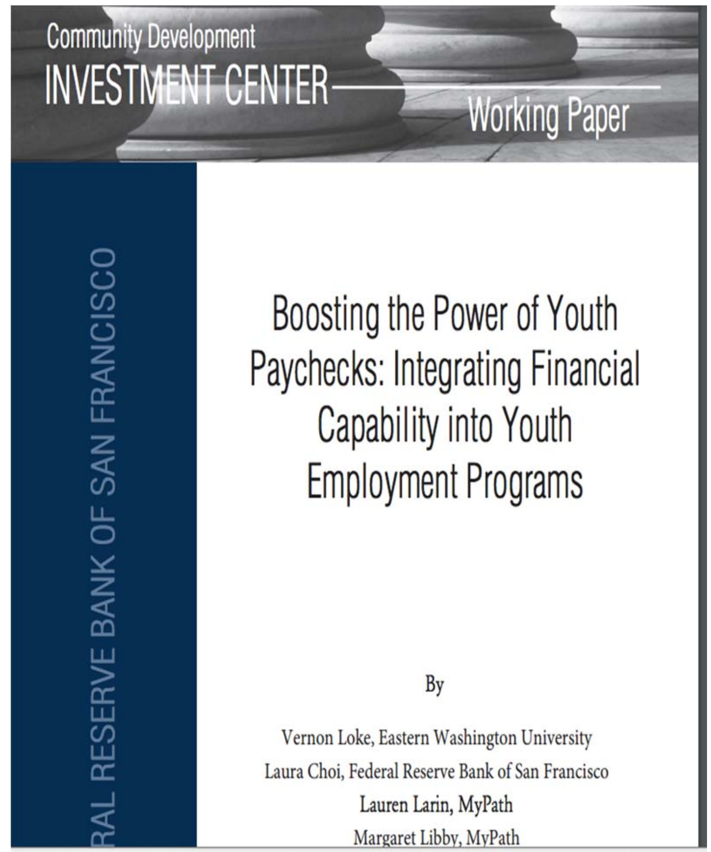
1. MyPath Engineers Effective Models

From Financial Education to *Financial Capability*



2. MyPath Shares What Works




Community Development
INVESTMENT CENTER
Working Paper

RAL RESERVE BANK OF SAN FRANCISCO

Boosting the Power of Youth Paychecks: Integrating Financial Capability into Youth Employment Programs

By

Vernon Loke, Eastern Washington University
Laura Choi, Federal Reserve Bank of San Francisco
Lauren Larin, MyPath
Margaret Libby, MyPath

3. MyPath Advances Policy Change

- Created MyPath National Youth Banking Standards
- Support a team of youth that lead youth financial inclusion campaigns
- Engage with regulators and policymakers to advance youth financial inclusion and integration into youth employment system

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MyPath Tool Box

Technical Assistance Services

- For city agencies and youth employment nonprofits
- For financial institutions to adopt MyPath's National Youth Banking Standards and support off-site enrollment

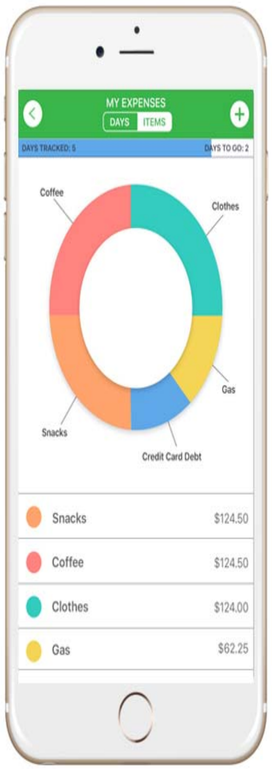
Planning Tools & Support for Local Partnerships

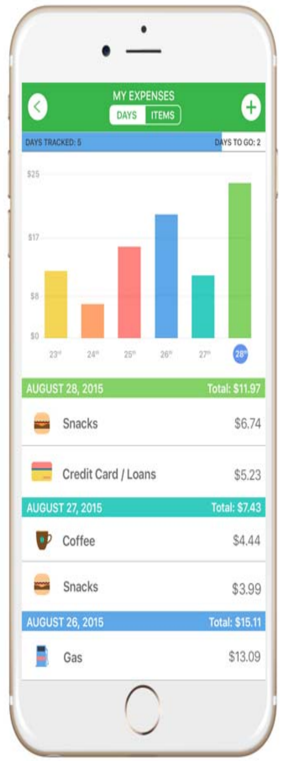
Train-the-Trainer for Line Staff & Youth Leaders

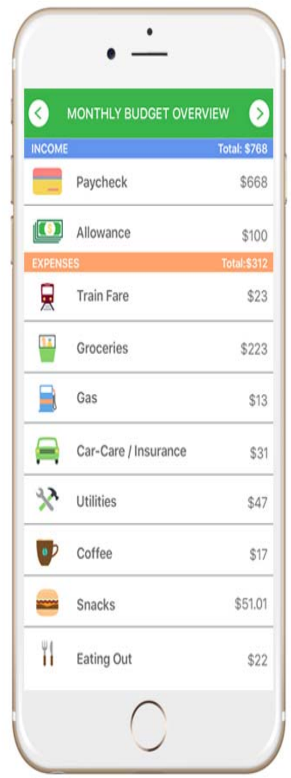
MyPath Money to Support Delivery

MyPath – Using Technology to Scale

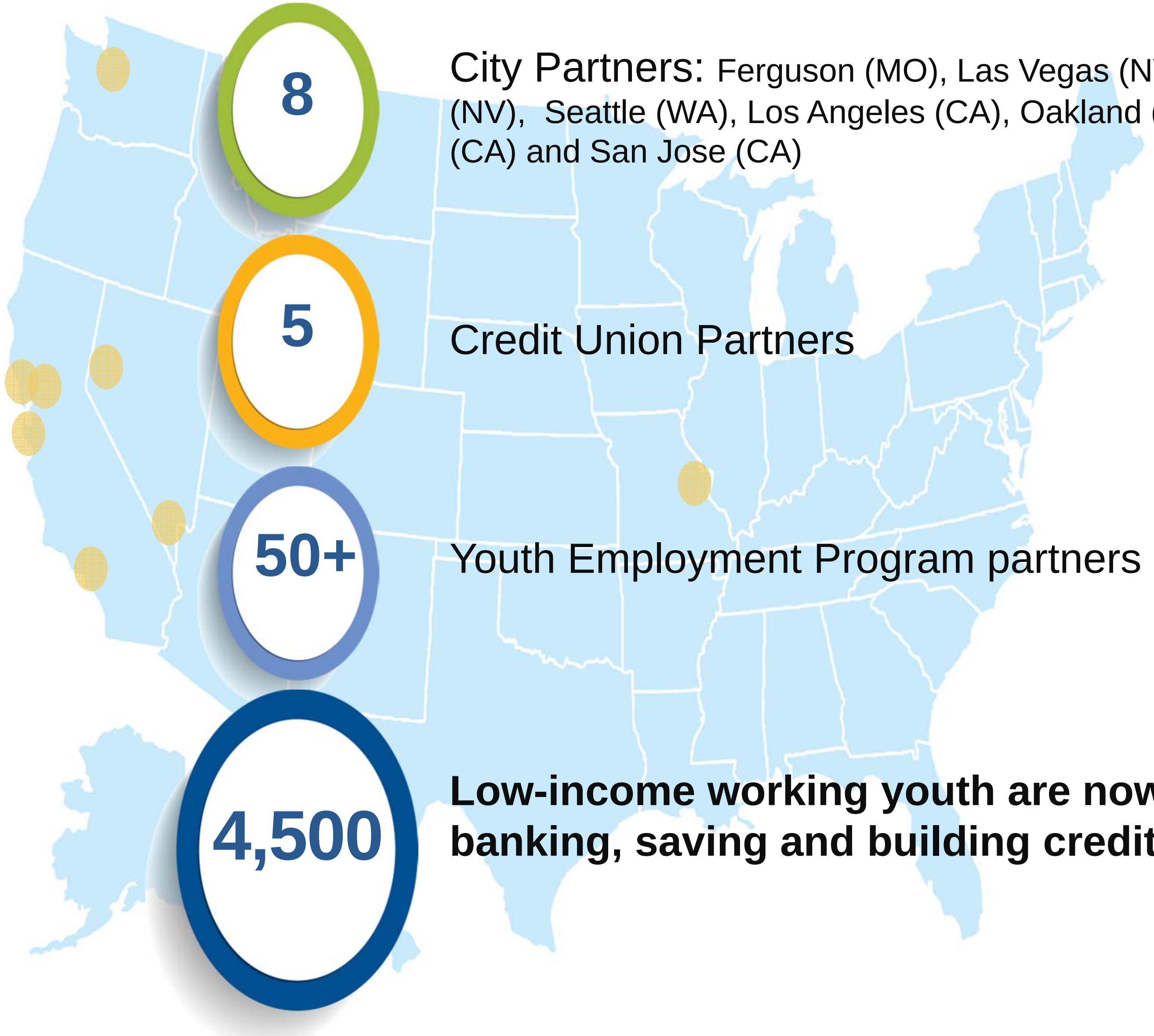
MyPath Money







MyPath Footprint: Current



8 City Partners: Ferguson (MO), Las Vegas (NV), Reno (NV), Seattle (WA), Los Angeles (CA), Oakland (CA), San Francisco (CA) and San Jose (CA)

5 Credit Union Partners

50+ Youth Employment Program partners

4,500 **Low-income working youth are now banking, saving and building credit**

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MyPath Savings Study: Treatment Groups

Comparison Group	***MyPath Standard***	***MyPath Standard Plus Coaches***
• 1 hour workshop on fringe financial products	• 1 hour in-person workshop • Supported enrollment into two accounts • Direct deposit • Support setting a personal savings goal • Three online, interactive financial education modules	• 1 hour in-person workshop • Supported enrollment into two accounts • Direct deposit • Support setting a personal savings goal • Three online, interactive financial education modules • **2 hours of Peer-led Group Coaching**

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MyPath Savings Two-Year Study Results

MyPath Savings Two-Year Study Results

MYPATH SAVINGS PARTICIPANTS:

3-5X More likely than comparison group to have **increased confidence to carry out basic financial behaviors** (i.e., saving, budgeting, spending)

MYPATH SAVINGS + PEER COACHES GROUP

9X More likely than comparison group to have **increased financial knowledge of core financial concepts**

11X More likely than comparison group to report **increased usage of sophisticated financial management behaviors**

SF DEPARTMENT OF CHILDREN YOUTH & THEIR FAMILIES

CFSI Center for Financial Services Innovation

Self-Help FEDERAL CREDIT UNION

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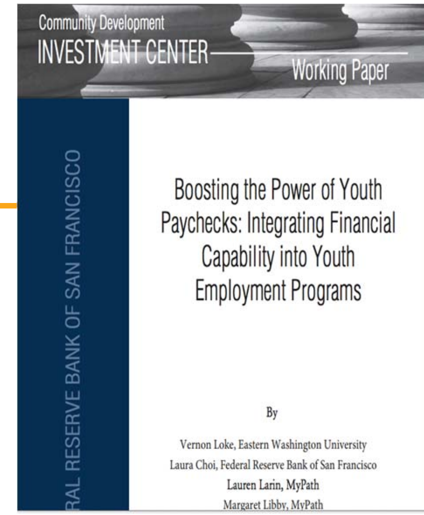
Key Lessons from the Study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- Timing is key, building around first paychecks works
- Blended in-person and online delivery offers an effective mix of scalability and impact, and peers boost outcomes
- Young people will bank and save when provided with the right mix of supports, including youth-friendly accounts and facilitated enrollment
- Integrating these supports into their employment programs offers a powerful hands-on experience
- Combining income with banking, saving and peers changes youth mindsets for the better

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Key Challenges to Scale

- Limited access to youth-friendly financial products.
- Limited resources to support cities and nonprofits to integrate financial capability into their youth employment programs.
- Lack of comfort and familiarity with banking, youth banking issues.
- Need for policies and guidance to promote youth financial inclusion and capability for youth workforce and employment agencies and for financial institutions.

Promising Developments

- Growing use of Youth Banking Standards and interest from regulators in youth financial inclusion.
- Growing investment from philanthropy and government, for example the Consumer Financial Protection Bureau's YES! initiative.
- Growing demand from cities and nonprofits for training and technical assistance around youth financial inclusion and capability integration.
- The Department of Labor's new WIOA requirement for financial literacy and FLEC's new Guide to Youth Banking are key steps.

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