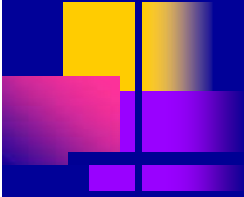




Financial Education & Economic Development



Jeanne M. Hogarth

Division of Consumer & Community Affairs
Federal Reserve Board, U.S.A.

With assistance from Marianne Hilgert, Jane Kolodinsky, Michael Wilson. The analysis and conclusions set forth in this presentation represent the work of the authors and do not indicate concurrence of the Federal Reserve Board, the Federal Reserve Banks, or their staff. Mention or display of a trademark, proprietary product, or firm in the presentation by the author does not constitute an endorsement or criticism by the Federal Reserve System and does not imply approval to the exclusion of other suitable products or firms.

Why is education important?

- Increased sophistication of financial products and services
- Shifting responsibility away from institutions and towards individual
- Demographic changes affecting the marketplace
- Long-term economic situation

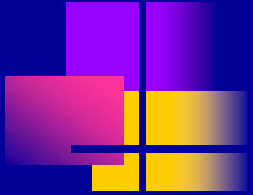


Why is the Fed interested in financial education?

Consumer protection



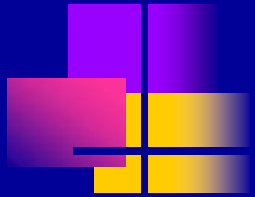
Why is the Fed interested in financial education?



Community
development



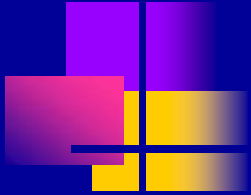
Why is the Fed interested in financial education?



Financial access



Education is only one piece of the puzzle



- Education
- Disclosures & information
- Substantive protections
- Redress
- Professional advice



How financial education works



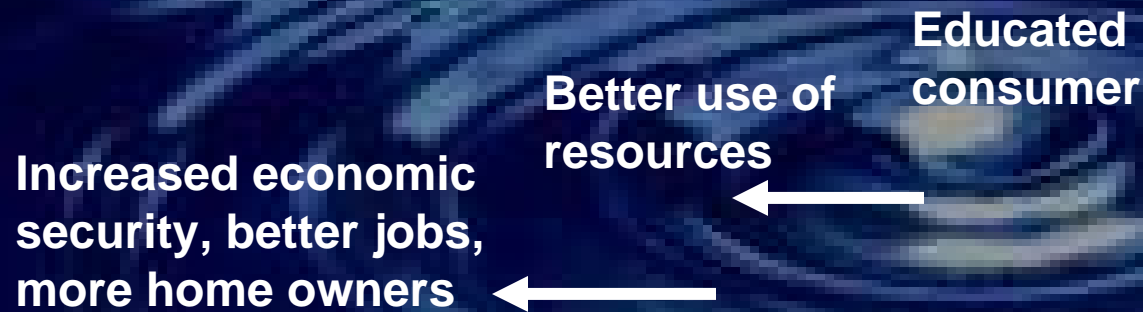
**Educated
consumer**

How financial education works

**Better use of
resources**

**Educated
consumer**

How financial education works



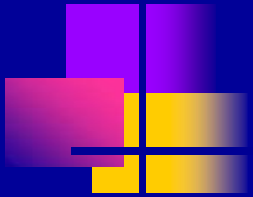
How financial education works



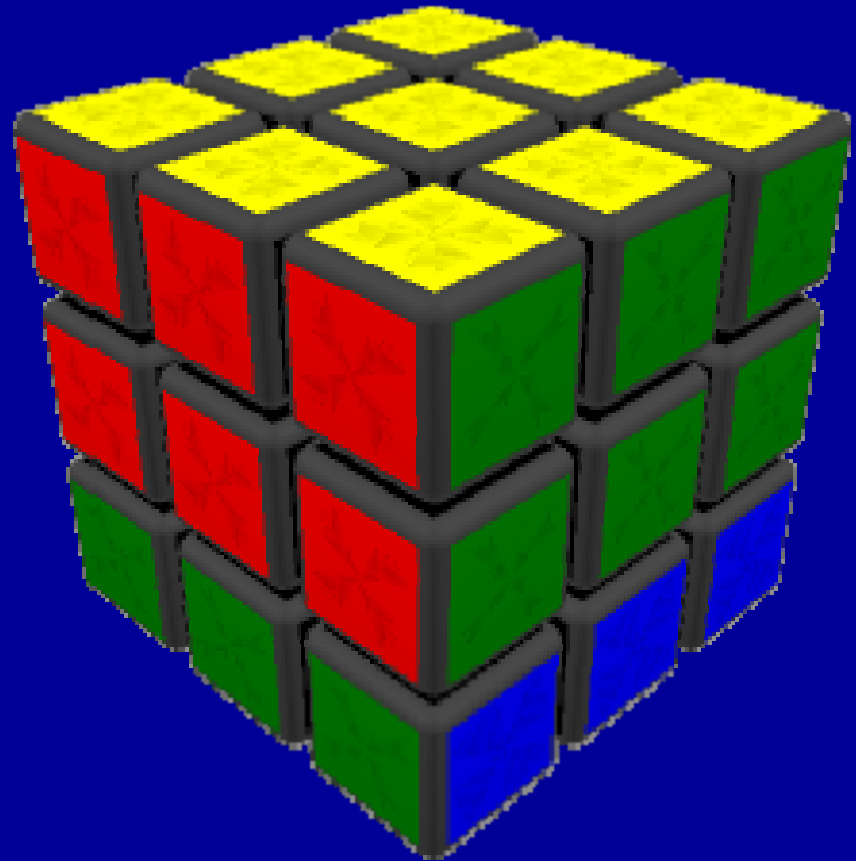
How financial education works



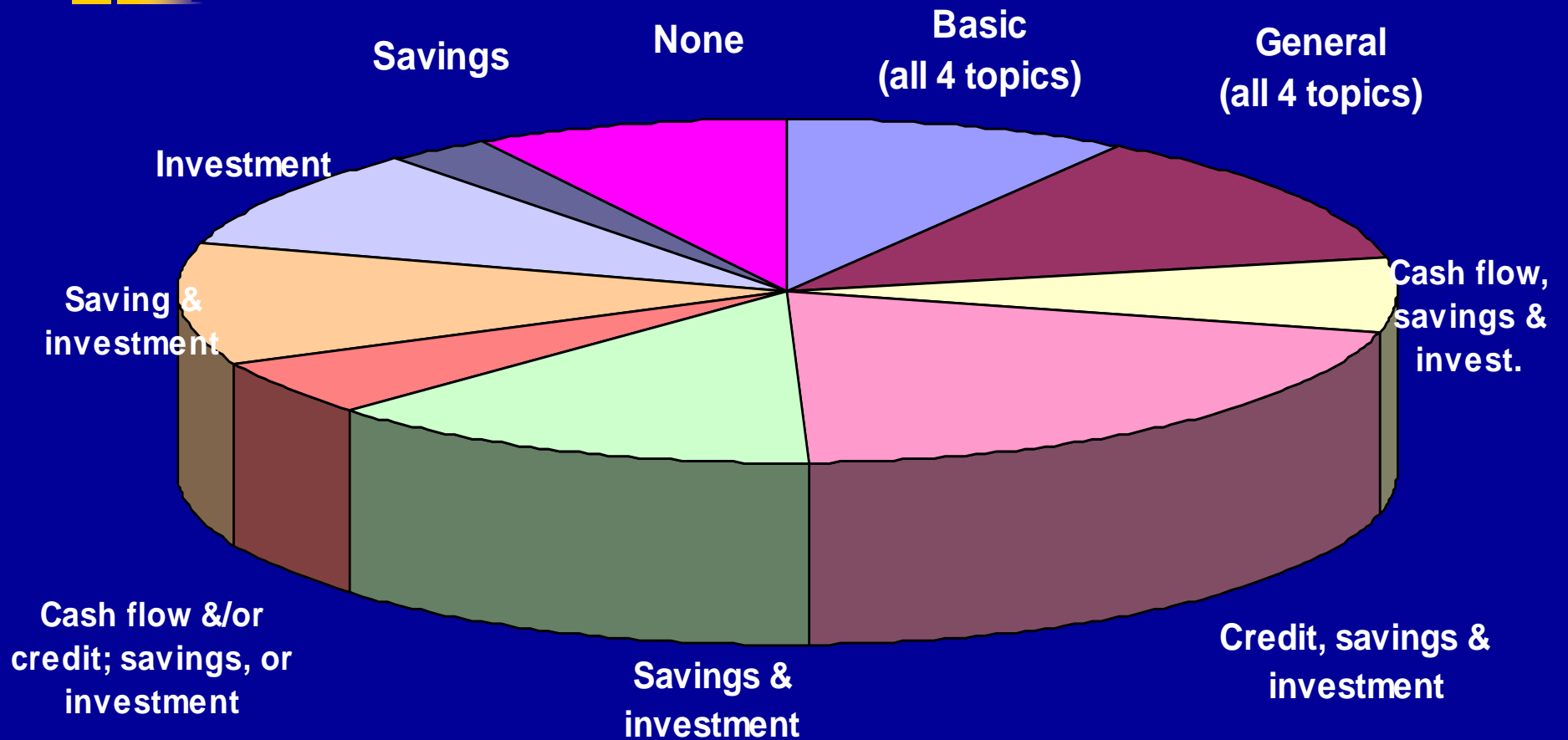
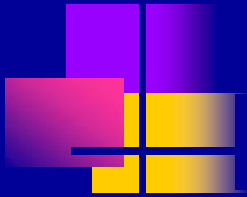
Components of education



- Topics
- Audience
- Learning style
- Stage in behavior change



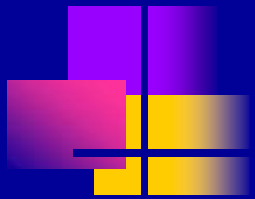
What topics?



Who are target audiences?

- Youth
- Military
- Low-income families
- First-time home buyers
- Employees
- Pre-retirees
- Retirees
- Women
- Minority groups





Learning styles

- Visual
- Auditory
- Kinetic





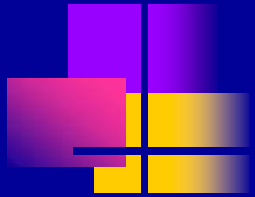
How do people learn?

	Learned "a lot"	Most important
Experience	68%	48%
Friends & family	42	21
Media	36	11
Employer	21	5
H.S. course	19	5
Other course	17	5



How do people *want* to learn?

Media (TV/radio, magazines, newspapers)	71%
Brochures/print materials	66
Video	64
Internet	56
School	53
Community courses	53

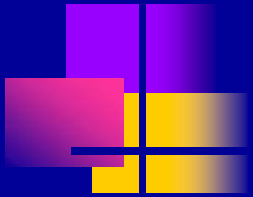


Stages of behavior change

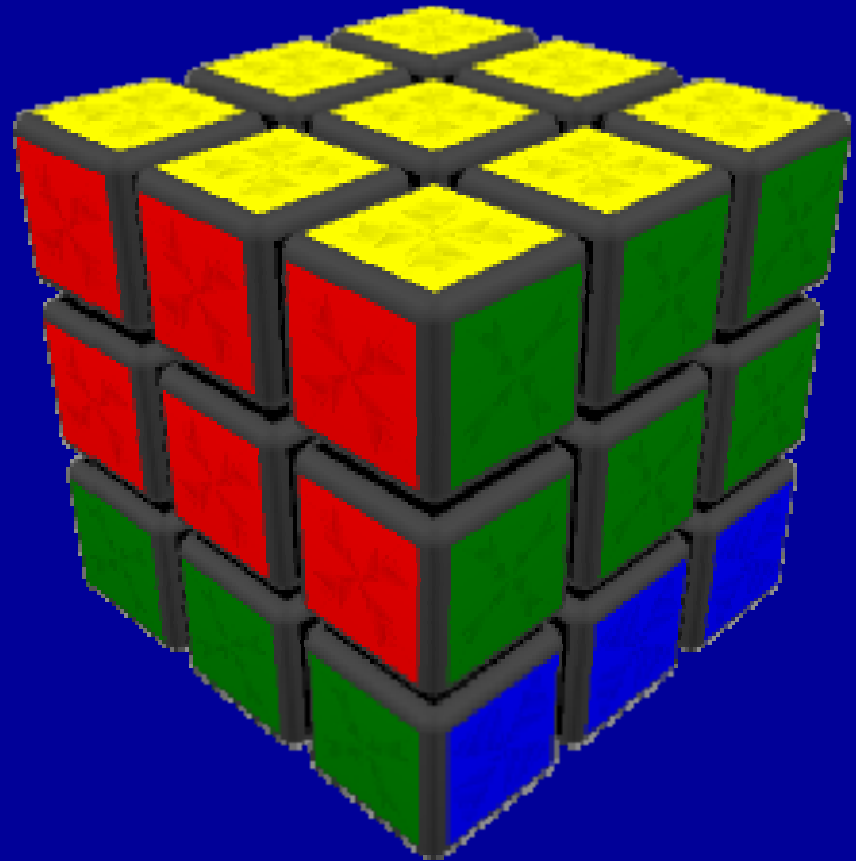
- Maintenance
- Action
- Preparation
- Contemplation
- Precontemplation



Components of education



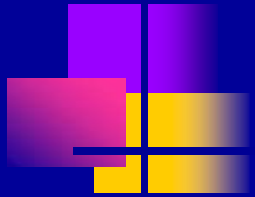
- Topics
- Audience
- Learning style
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What is "success"?

- Information is not education
 - Need to change behaviors
- Are behaviors the right outcome measures?
 - Satisfaction with life & lifestyle
 - Attitudes -- feel confident
 - Feel prepared for events

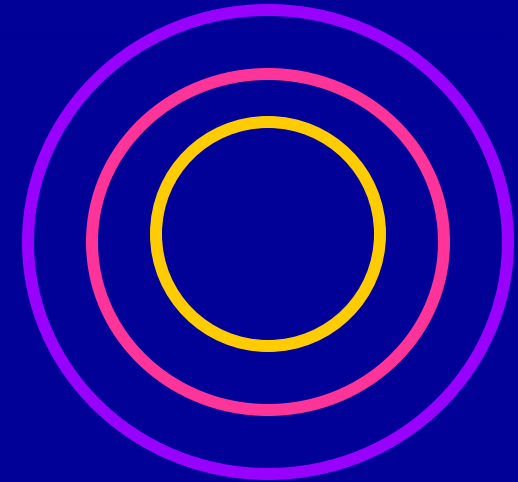
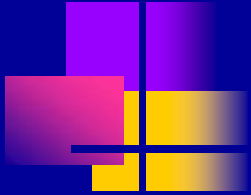




Financial education & community economic development

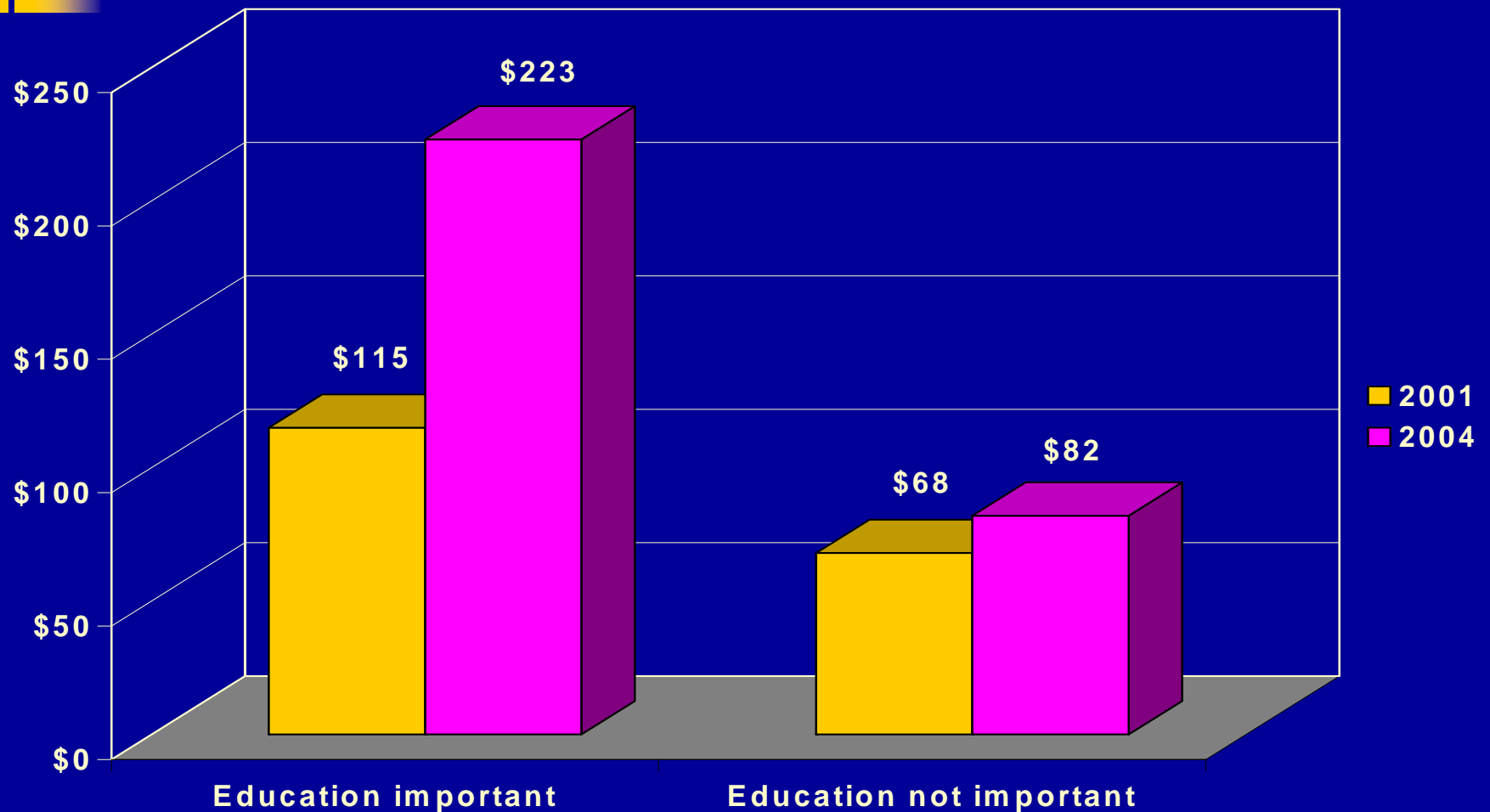
- Opportunities Credit Union case study
- Panel surveyed in 2001 and 2004
 - Small sample

What works and how do we know?

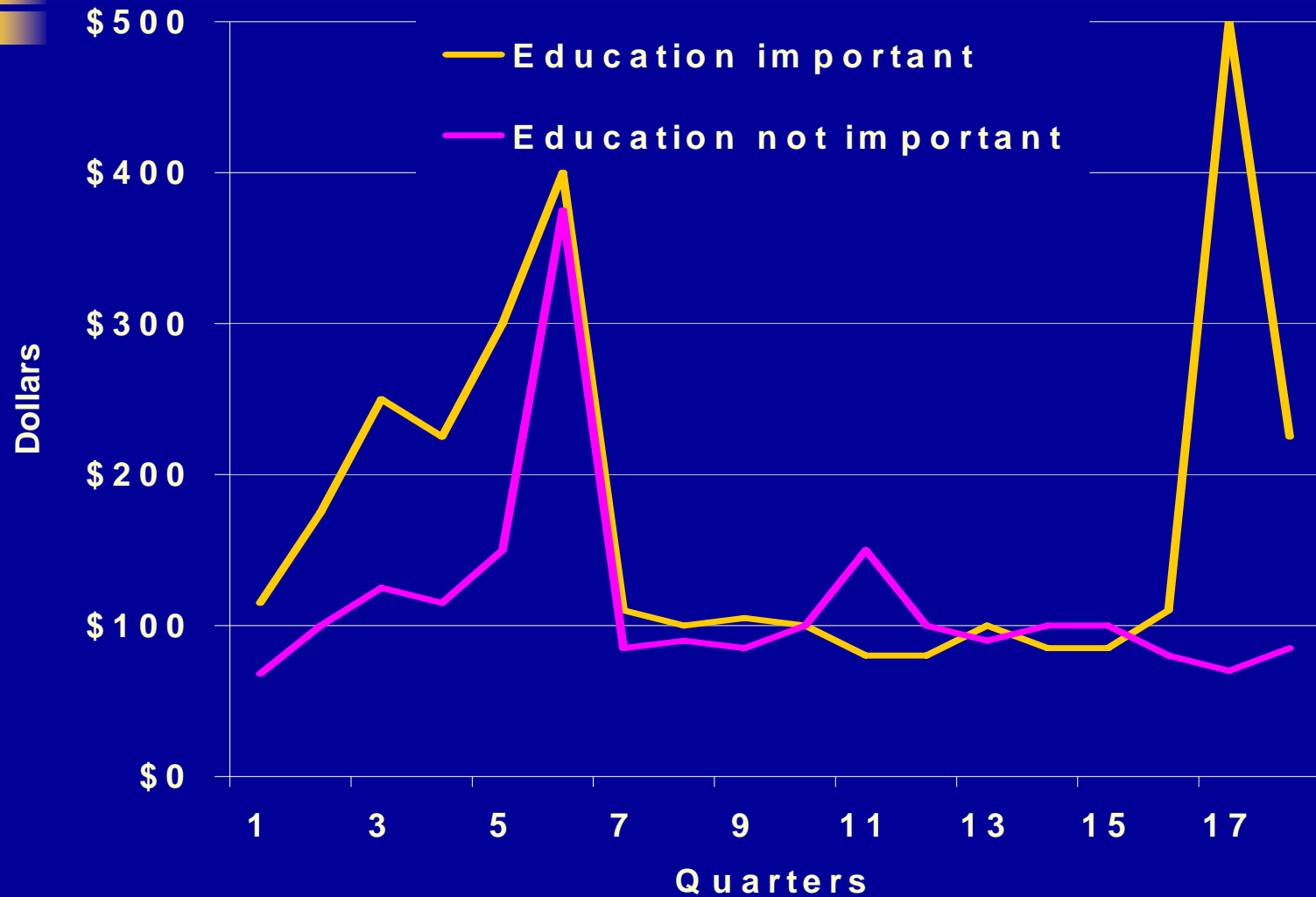
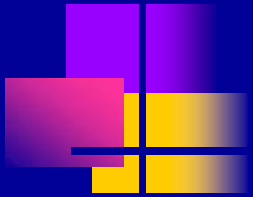


- **First level** benefits
 - Manage money, on track, paying off debts
- **Second level** benefits
 - Expand goals, save more, more assets, income increased, job opportunities improved, housing opportunities improved
- **Third level** benefits
 - Self confident, quality of life improved, hopeful, more involved in neighborhood & community

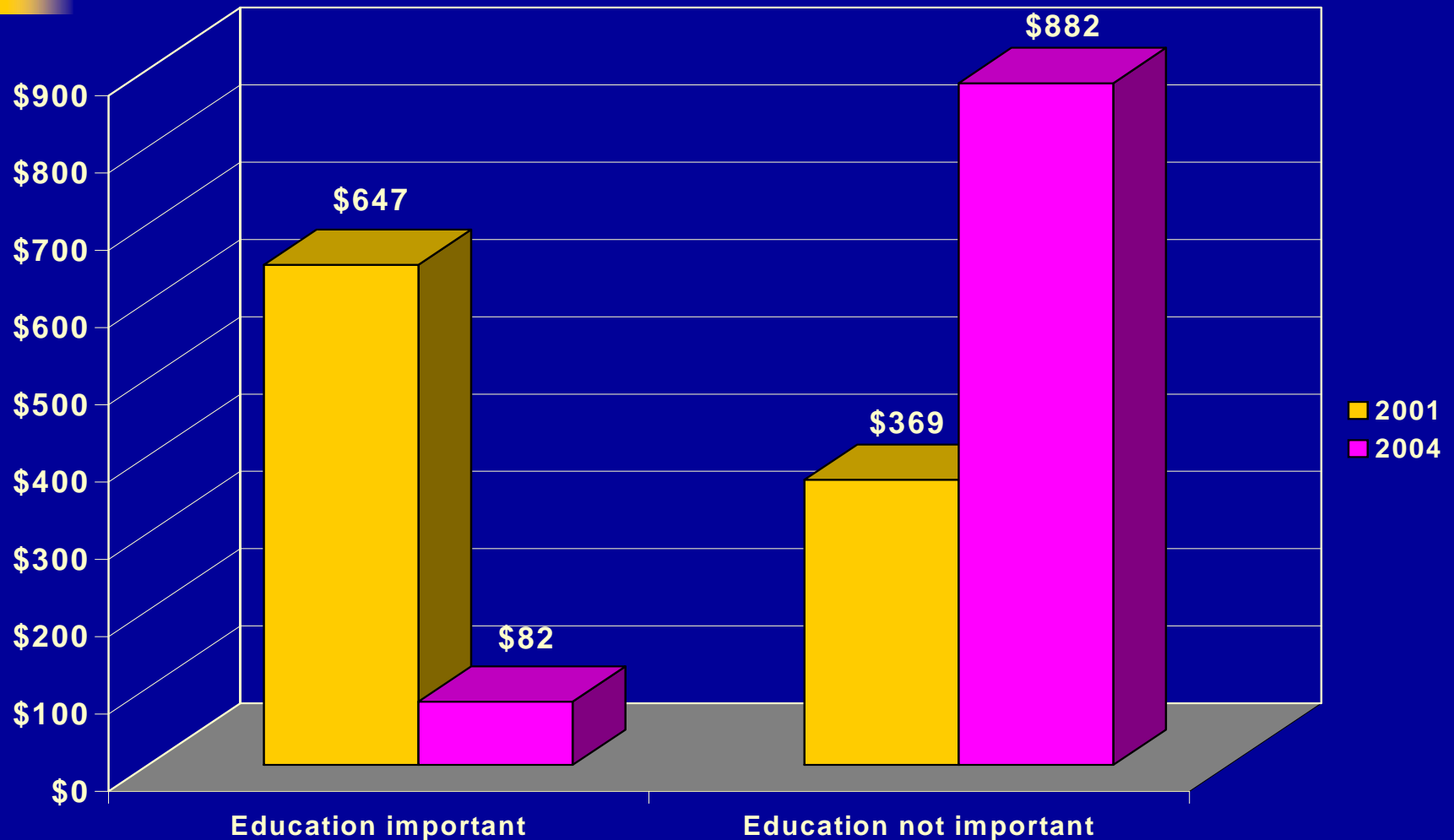
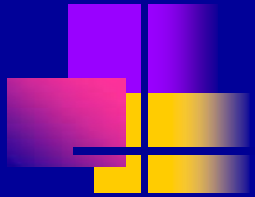
Importance of education & savings account balances

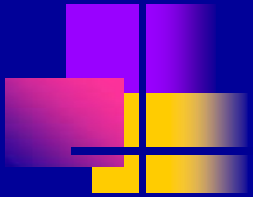


Savings balances



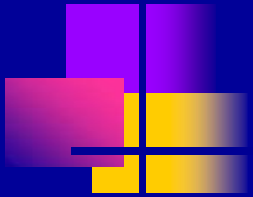
Importance of education & loan balances





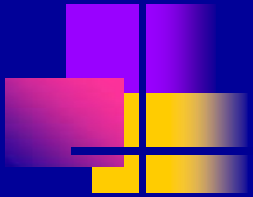
So what?

- Those who feel education is important report positive outcomes at all 3 levels
- Pattern of saving is “craggy” (save up and then spend down)
 - When do you measure outcomes of program?
 - How do you measure outcomes of program?



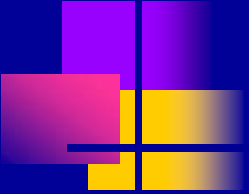
So what?

- Education seems to make biggest difference at first level (manage money, pay off debts)
- As members (clients) stay with program, need to develop “higher” levels of financial education
 - Need for financial education curriculum, not just a course



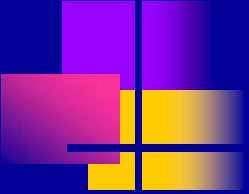
So what?

- People come to recognize & appreciate benefits over time
 - Longitudinal evaluation plan for financial education programs
 - Need to ask attitudinal as well as behavioral questions to get at program impacts



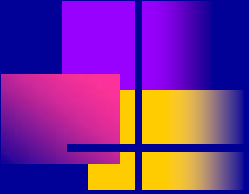
What works, and how do we know?

- NEFE High School Financial Planning Program
 - Increased knowledge, skills, and confidence
 - Improved behaviors
 - Measured before, after, & 3 months later
- Financial/consumer education in high school
 - Financial education in high school associated with higher savings and net worth as an adult



What works, and how do we know?

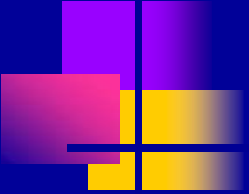
- Credit counseling
 - Improved credit scores, better credit management, lower delinquency
- Homeownership counseling
 - Lowered 90-day delinquency rates



What works, and how do we know?

Retirement planning

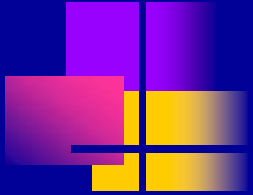
- Save More Tomorrow
 - Increased participation in 401k, increased rates of contribution, high retention after 3 years
- Members of TIAA-CREF
 - Revised retirement savings goals, plan to modify saving & investment



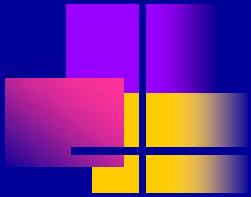
What works, and how do we know?

- Money 2000
 - Increased savings, decreased debts
- American Dream Demonstration (IDAs)
 - Financial education increases savings (maxes out at 8-10 hours)
- Money Smart
 - Increased financial understanding
 - Not associated with opening bank account

What works, and how do we know?



- Employee Financial Education
 - Increased 401k participation & improved other financial behaviors
- Financial Security in Later Life
 - Improved financial management practices (self-anchoring)
 - Economic impacts averaged \$870 (savings increased, debts reduced, etc.)



What is the Fed doing?

- Promoting awareness of the importance of financial education
- Increasing access to information about financial products & services
- Collaborating with educational and community organizations
- Promoting research and identifying best practices
 - Educating our employees



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• Bank Accounts and Services

- [Consumer Guide to Check 21 and Substitute Checks](#)
ESPAÑOL Guía del consumidor sobre Check 21 y cheques sustitutos
- [How to File a Consumer Complaint About a Bank](#)
ESPAÑOL Cómo puede un consumidor presentar una queja sobre un banco
- [Protecting Yourself from Overdraft and Bounced-Check Fees](#)
ESPAÑOL Protéjase de los cargos por cheques rebotados y sobregiros
- [What You Should Know about Your Checks](#)
ESPAÑOL Lo que usted debería saber sobre sus cheques
- [When Is Your Check Not a Check? Electronic Check Conversion](#)
ESPAÑOL ¿Cuándo no es su cheque un cheque? Intercambio electrónico de cheques

• Consumer Credit

- [Choosing a Credit Card](#)
- [Consumer Handbook to Credit Protection Laws](#)
- [Your Credit Report: What it Says about You](#)
(on the web site of the Federal Reserve Bank of San Francisco)

• Identity Theft

- [National Resource for Identity Theft](#)
(on the web site of the Federal Trade Commission)
- [Identity Theft](#)
(on the web site of the Federal Reserve Bank of Boston)
- [Internet Pirates Are Trying to Steal Your Information](#)
(on the web site of the Office of the Comptroller of the Currency)
- [When a Criminal's Cover Is Your Identity](#)
(on the web site of the Federal Deposit Insurance Corporation)

• Leasing

- [Keys to Vehicle Leasing: A Consumer Guide](#)
ESPAÑOL Arrendar un vehículo: Guía del consumidor

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Mutual funds and annuities have their advantages, but it's important to understand how they work and what risks are involved.

E-Banking: Banking on the Internet
On-line discussion about on-line banking and questions consumers should address before signing up for that service.

ETASM --A Direct Deposit Account-- Is Direct to You (PDF)
Information on ETA --Electronic Transfer Account-- which uses direct deposit to transfer Federal benefits or payroll payments straight into your bank account. This file requires Adobe Acrobat Reader.

ETASM --Una Cuenta de Depósitos Directos-- Va Directamente a Usted (PDF)
Encuentre información acerca de ETA, una cuenta que utiliza depósitos directos para transferir electrónicamente los beneficios o pagos de nómina del gobierno directamente a su cuenta de banco. Adobe Acrobat Reader.

In Plain English
Making sense of the Federal Reserve.

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The path of a dollar bill as it moves from printer to shredder. This link requires Flash 6.0 or higher.

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Examines currency issued by the U.S. government, including information about the history of currency, how money is printed, new currency designs and counterfeit protection.

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Brochure provides basic information and tips on using on-line banking services effectively.

Publications
Consumer Banking publications available from the Federal Reserve.

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- Alan Greenspan



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- The next public meeting of the Financial Literacy and Education Commission will be held on Tuesday, January 30, 2007.
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