The Future of Youth Financial Education

By Ted Beck

A culture that encourages consumerism and debt combined with economic uncertainty creates daunting financial challenges for young adults: Find and keep a well-paying job, establish financial goals, and pay for growing expenses in an era of tight credit. So it’s critical that young people learn money management.

New research confirms that parents and schools, in that order, influence kids’ attitudes and behaviors about personal finance. In schools, the National Endowment for Financial Education’s High School Financial Planning Program (HSFPP) has been helping improve students’ financial behaviors for more than 25 years.

Financial Attitudes and Behaviors among Young Adults

In fall 2007, the University of Arizona launched Arizona Pathways to Life Success for University Students (APLUS) to examine factors that shape the personal finance beliefs, habits, and actions of first-year college students.

This NEFE-funded research examines young adults’ personal values about money and how they conduct their financial affairs. Topics explored include credit card debt, college loans, employment, time and cash management, financial risk-taking, personal finance knowledge, and correlation between financial behaviors and how students feel about themselves.

The study’s most striking finding is how vital and effective it is for parents and schools to teach the dos and don’ts of personal finance. This kind of education—formal and informal—can put students on the path to financial stability.

APLUS discovered that parents and high school financial education programs have great impact on students’ knowledge about personal finance. Parents have more influence than students’ own experiences and school financial curricula combined. Kids are influenced by their parents’ views on money management: The higher the parental expectations for sensible financial behavior, the more financially responsible and less debt-susceptible the student. Conversely, lower parental expectations correlate with riskier student financial behavior and higher credit card balances.

Parents have an edge over schools in their ability to model positive financial behavior for their children. But financial education also must be part of K-12 curricula and college, too, especially during that critical freshman year when kids are developing more independence.

NEFE’s High School Financial Planning Program

For 25 years, NEFE’s HSFPP has been teaching teenagers about personal finance. HSFPP improves students’ money management/financial planning skills and positively transforms financial behavior. HSFPP is provided to schools and educators at no cost, and more than 7 million students have participated since 1984.

HSFPP is based in practice, not theory. The content applies directly to situations that teens face during high school and will face as young adults. Experienced educators and subject-matter experts wrote the curriculum so the material is easily taught, readily absorbed, and uses best practices. Instructors, students, and parents have access to a Web site full of learning tools.

The seven HSFPP classroom units are cumulative; each is self-contained but knowledge progresses from one to the next. The program begins where many teens—and adults—get in financial trouble: the inability to differentiate between needs and wants. It moves to setting smart goals, developing a budget, and making money grow while protecting assets.

This type of education makes a difference. An independent University of Minnesota evaluation of students before and after taking the class found 41 percent of “before” students said they strongly agreed that they understood the difference between needs and wants, compared with 80 percent of “after” students; 12 percent of “before” students said they strongly agreed they knew the cost of buying on credit, compared with 49 percent of “after” students; and 33 percent of “before” students said they strongly felt that how they managed their money would affect their futures, compared with 73 percent of “after” students.

Conclusion

Research shows that young people develop understanding of personal finance from a combination of parental, educational, and real-world influences. Fostering positive money management behaviors among students requires a proactive approach from parents, teachers, and finance professionals. More financial education for youth will result in a stronger economy, increased confidence in financial institutions, and financial well-being for all.

Ted Beck is president and chief executive officer of the National Endowment for Financial Education (NEFE*). Contact him at tbeck@nefe.org.