

Financial Education and Economic Development

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Paper prepared for

Improving Financial Literacy International Conference hosted by the Russian G8 Presidency in Cooperation with the OECD

29-30 November 2006

Abstract

Logically, financially-educated consumers should make better decisions for their families, increasing their economic security and well being. Secure families are better able to contribute to vital, thriving communities, further fostering community economic development. But identifying and documenting those links is difficult. This paper provides a snapshot of the current state of financial education in the U.S. as it relates to community and economic development. In the process, we look at a variety of issues: Why is financial education important? What is “financial education?” What financial education initiatives are underway? Are they working – and how do we know? Data from a community development credit union, provided as a case study, hint at the potential relationships between financial education and community involvement and give us some hope that financial education programs really are making a difference in communities, and that we will some day be able to document those differences more robustly.

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Drop a rock into a lake or pond – the ripples extend outward with wider and wider effects. So it is also with financial education. Well-informed, well-educated consumers can create economic ripples. They make better financial decisions for themselves and their families, increasing their economic security and well being. They are in a position to obtain better jobs and create a desirable pool of labor for employers. Secure families are more involved in their communities as home owners and voters. They are more involved as parents with their children’s schools and teachers, enabling better educational and economic outcomes for their children. They contribute to vital, thriving communities, further fostering community economic development. Thus, being financially literate is not only important to the individual household and family, it’s also important to communities and societies.

Over the last several years, the issue of financial literacy and financial education has risen on the agenda of educators, community groups, businesses, government agencies, organizations, and policy makers (GAO, 2004; International Monetary Fund, 2005; OECD, 2005). Increasingly over the last few years there has been a steady stream of articles and news reports highlighting recent efforts to provide financial education to consumers. A quick survey of press releases reveals more than 420 releases on financial and economic education over the past 12 months. The majority of these focus on financial education for youth, teenagers, and young adults.

There has been a great deal of research on the issue of financial education, either from a policy perspective (Bayer, Bernheim & Scholz, 1996; Bernheim, 1998; Braunstein & Welch, 2002; Caskey, 2001; Fox, Bartholomae & Lee, 2005) or a pragmatic perspective (Bowen, 1996; Garman, 1998; Hogarth & Swanson, 1993; Montalto, 2000; Perry & Ards, 2001; Rand, 2004; Toussaint-Comeau & Rhine, 2000).

The goal of this paper is to provide a snapshot of the current state of financial education in the U.S. as it relates to community and economic development. In the process, we will look at a variety of issues: Why is financial education important? What is “financial education?” What financial education initiatives are underway? Are they working – and how do we know? Finally, we will consider the role that financial education plays in community economic development, using a case study from a community development credit union.

Why Is Financial Education Important?

While the need for financial literacy has always been important, more recent market and policy developments have raised the saliency and relevance of financial education. Two examples may help illustrate the point. First, complex global financial markets make the 21st century different from previous eras. There are more financial products from which to choose among with a wider array of features – the 30-year fixed-rate mortgage is no longer “standard” and checking accounts require more choice than just “what color do you want your checks?” Second, the burden for financial security in later life has shifted from employers to employees with the decrease in defined benefit pensions, an increase in the use of 401k’s, and a more fluid

job market that in previous generations – all serving to increase the level of individual responsibility for retirement savings.

Since the early 1990s there have been numerous studies that report low levels of consumer literacy and financial literacy. The Consumer Federation of America and American Express conducted a series of “consumer literacy” tests of high school and college students and adults and found that high school students scored lower than college students and adults (CFA, 1990, 1991, 1993). The Jump\$tart Coalition for Personal Financial Literacy conducts bi-annual financial literacy tests of high school seniors. In 2006, students answered 52.4 percent correctly, and increase from 52.3 percent in 2004, but down from the 56.9 percent in 1997 (Jump\$tart, 2006).

The American Savings Education Council (ASEC, 1999) found that 15 percent of students said they understood financial matters very well, 67 percent said fairly well, and 18 percent said they did not understand financial matters at all. Similarly, 18 percent thought they did a very good job of managing their money, 38 percent said they did a good job, 37 percent said they did an average job, and 7 percent said they did a poor job.

The Consumer Federation of America and the Cooperative Extension System joined with the Consumer Literacy Consortium to quiz 1,700 adults nationwide on a set of consumer skills; the average score was 75 percent correct (CFA, 1998). This quiz covered more “buymanship” topics than financial management topics, and it points toward the range of issues that consumers misunderstand. The Retirement Confidence Survey, conducted by the Employee Benefit Research Institute, found that one-third of workers have a “high” level of financial knowledge, while 55 percent have a moderate level, and 11 percent have a “very low” level of knowledge (Yakoboski and Schiffenbauer, 1997).

The Washington State Department of Financial Institutions conducted qualitative focus groups and quantitative surveys to assess the status of financial literacy among their citizens, with a special focus on those who had fallen victim to predatory lending (Moore, 2003). The lack of awareness of being preyed upon by some victims was identified as a potential stumbling block for public policies and called into question the efficacy of any financial education efforts targeted to potential or actual vulnerable consumers.

Generally, the importance of financial education is given weight by citing what can happen in its absence. For example, some researchers and educators cite mounting levels of consumer debt – be it credit card debt or the growth in home equity lending – and bankruptcy as what tends to happen without financial education. Others cite low participation and contribution rates for retirement savings as demonstrating a lack of financial education. Although few research studies show the correlation between level of financial education and financial management behaviors, a study by Bernheim, Garrett, and Maki (2001) showed that consumers who graduated from states with mandated financial education were more likely to have higher savings rates and higher net worth.

What Is a “Financially Educated” Person?

Personal financial education means different things to different people. For some it is quite broad, encompassing an understanding of economics and how household decisions are affected by economic conditions and circumstances. For others, it focuses quite narrowly on basic money management – budgeting, saving, investing, and insuring. Still others include a set of consumer and buymanship skills within a financial education framework. In reality, financial education probably can and does include all of these topics.

The consistent themes running through various definitions of financial education include: (1) being knowledgeable, educated, and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes; (2) understanding the basic concepts underlying the management of money and assets (e.g., the time value of money in investments and the pooling of risks in insurance); and (3) using that knowledge and understanding to plan, implement, and evaluate financial decisions.

This definition implies that the outcome of financial education – that is, what a “financially educated” person does – includes behaviors such as paying bills on time, having manageable levels of credit, setting financial goals and having a way of achieving those goals through saving and investing, spending wisely, and so on. The specific implementation of these behaviors may vary by income, family circumstance, and asset level, however. For example, we want all households to set financial goals; for some the goal may be having \$200 in an emergency fund, while for others the goal may be having \$20,000 for a down payment on a house. These individual behaviors can and should have effects beyond the realm of an individual household.

Less visible, but nonetheless important, are how these themes can be expanded to include community development. Having one’s financial house in order can lead to stability of housing and family life, which can contribute to stable educational situations for children, and more involvement of families in their community, including participation in civic activities that range from a parent-teacher organization to neighborhood planning board and beyond. In most cases, we assume these farther-reaching benefits of financial literacy.

Designing Financial Education Programs

To design a learner-centered financial education programs requires that planners take into account at least four distinct elements:

- The topics – does the learner need information and education about general cash flow management, credit, saving, investment, retirement planning, estate planning, or some combination of those topics?
- The audience – is the program targeted to the general public, youth, low-income, first-time home buyers, pre-retirees, employees of a particular firm, or someone else?
- Learning styles – is the pedagogy set up for visual, auditory, and kinetic learners?

- Behavior stage – what is the learner’s current stage of behavior change? Are most target learners in the precontemplation, contemplation, preparation, action, or maintenance states? (see Prochaska et al., 1992; Prochaska et al., 1994; Xiao et al., 2004).

Overlaying these elements are the levels of expertise sought or needed in financial education. Here, a “medical model” may be apt – some consumers in crisis need the equivalent of a financial emergency room to forestall repossession, foreclosure, or utility shut-off. For many financial management issues, consumers can be “self-medicating” – they can take care of themselves with the right financial tools and products and some level of knowledge about when and where to use these. Other financial management issues require the assistance of a financial services general practitioner – someone who can offer broad, basic guidance and access to “prescription financial products” such as stocks, bonds, and insurance products. Finally, there are those financial issues that require the expertise of a specialist – an attorney or an accountant to deal with the intricacies of tax and estate laws.

With such granularity in the possible combinations of these elements, it is no wonder that there are so many players in the financial education arena. In a review of press releases on economic and financial education from fall of 2005 through fall of 2006, roughly half related to general financial education topics, and another quarter related to debt and credit management (another one out of seven focused on retirement, and about one out of ten focused on home buying). Two-thirds of the releases discussed programs that targeted youth. About two-fifths of the releases were issued by non-profit organizations, and another two-fifths by commercial firms, with the remaining one-fifth related to schools.

What Financial Education Initiatives Are Underway?

Ten years ago it would have been relatively easy to provide a list of financial education initiatives; today new programs and players are added on a daily basis and it is virtually impossible to maintain a listing of current initiatives. There seems to be an abundance of activity on the financial literacy front. Some researchers (Vitt et al., 2000 and 2005; Jacob et al., 2000) have surveyed a variety of educational community-based organizations to determine the availability and extent of initiatives. Vitt et al.(2000) identify 91 programs offered by schools, Cooperative Extension programs, colleges (including community colleges), the military, faith-based organizations, community groups, employers and others. Jacob et al. (2000) catalogue school and Cooperative Extension programs as well as those offered by credit counseling agencies, employers and financial institutions, with a special focus on programs targeted to low-income audiences. The Jump\$tart Coalition has over 560 resources in its financial education database. The National Endowment for Financial Education lists over 150 educational resources and curricula from a wide range of agencies, organizations, and firms in its Economic Independence Clearinghouse database; many of these materials are available in multiple languages (NEFE, 2001). The Federal Reserve Bank of San Francisco includes 56 programs and resources in its Guide to Financial Literacy Resources (Robinson, 2002).

Legislative and public policy initiatives are also driving and developing financial literacy efforts. Financial education is an important part of Individual Development Accounts (IDAs), a policy initiative launched in the late 1990s to help low-income households build assets. The

Savings Are Vital for Everyone's Retirement (SAVER) Act included a substantial retirement savings education program (Saving Matters) as part of this policy (U.S. Department of Labor, 2000). For the transition to an "all-electronic Treasury," the U.S. Department of the Treasury included a consumer education program in their "EFT'99" initiative (U.S. Department of the Treasury, 2000). Although not required by recent welfare reform legislation (the Personal Responsibility and Work Opportunity Act), most welfare-to-work programs include some money management information as part of participant training; New Hampshire's Lifeskills for Employment, Achievement and Purpose (LEAP) initiative is one example (University of New Hampshire Cooperative Extension, 2004).

Title 5 of the Fair and Accurate Credit Transactions (FACT) Act created the Financial Literacy and Education Commission, involving 20 federal-level government agencies with some involvement in financial education. The commission was charged to develop a web portal for financial education resources (www.mymoney.gov), to support a toll-free service that links consumers to financial education resources (1-888-my-money), and to develop a national strategy to help educate and inform consumers about financial management matters.

Most financial literacy initiatives have very specific target audiences. But just as there are numerous initiatives, so too are there numerous target audiences. Youth, military personnel (especially young, enlisted personnel), low-income families, first-time homebuyers, employees, church members, and women are all targets of one program or another. Since welfare reform legislation of the mid-1990s, welfare-to-work programs have also incorporated financial education. There are programs targeted to various ethnic groups (for example, initiatives for Native Americans), various situational groups (including pre-release prisoners), and various demographic groups (such as new parents or pre-retirees). The National Endowment for Financial Education has collaborated with more than "60 national nonprofit organizations to create publications for separate, unique constituencies" (NEFE, 2004). In essence, it would be difficult for a U.S. consumer not to be part of a target audience for at least one financial literacy initiative. However, there are a few target audiences that bear special mention.

Because home ownership is both a major investment and a major asset for families, first-time homebuyers are a key audience for many financial literacy programs. These initiatives often target low- to moderate-income families (see, for example, NRC, 2000; NCRC, 1998). Some programs cover both pre-purchase and post-purchase topics, working with families over several years to clean up their credit records, find affordable housing, and prevent delinquency and default (see, for example, Fannie Mae Foundation, 2001; Freddie Mac, 2001).

As is evident from some of the survey data, youth also are an important audience for financial literacy initiatives. Clearly, the advantage to educating youth is that they then grow up into financially literate adults. The Jump\$tart Coalition for Personal Financial Literacy, a broad-based coalition of over 170 agencies, organizations, and firms, encourages "curriculum enrichment to insure that basic personal financial management skills are attained during the K-12 educational experience" (Jump\$tart, 2001). Recently, Jump\$tart expanded its target audience to include college students.

A program housed within the Federal Deposit Insurance Corporation, Money Smart, seeks to “help adults outside the financial mainstream enhance their money skills and create positive banking relationships,” (Money Smart, 2006). The goal of the program is to provide financial stability for individuals and families as well as communities.

While most literacy initiatives function in a preventive mode (i.e., trying to prevent people from getting into problems), some offer curative programs for consumers with credit problems (NFCC, 2001; InCharge, 2004). For many, this is a highly teachable moment in their financial lives. Recent bankruptcy reform legislation includes a provision for debtor education as part of Chapter 13 filings (Braucher, 2001). Generally, these programs start off with a counseling format, customized to the consumers’ needs; but most organizations involved in credit counseling also offer basic financial education.

The Federal Reserve System is involved in financial education in several ways. The Board and the Reserve Banks are active in promoting awareness of the importance of financial education, increasing access to information about financial products and services, collaborating with educational and community organizations to provide financial education resources, and promoting research and identifying best practices for financial education (Bernanke, 2006). A list of Federal Reserve initiatives is included in an appendix to this paper.

Linking Financial Knowledge with Financial Behaviors

Many, if not most, of these programs operate under the implicit assumption that increases in information and knowledge will lead to changes in financial management practices and behaviors. Hogarth, Hilgert, and Schuchardt (2002) demonstrated that the higher a consumer’s financial knowledge (based on a quiz score), the higher the probability that the consumer undertook more positive financial management behaviors and used more financial products and services. For example, consumers scoring 80 percent on the quiz had a 0.37 probability of being “active and engaged” in financial management (that is, they undertook more financial behaviors and used more financial products and services), while consumers scoring 50 percent had only a 0.14 probability.

Knowledge and learning preferences seem to be associated with more specific financial behaviors. Persons who were more knowledgeable (again, measured as a quiz score) were more likely to engage in more cash-flow management, saving, and investment behaviors (Hogarth, Beverly, and Hilgert, 2003). In this study, financial knowledge and financial learning experiences were the only variables that were consistently associated with more positive financial management behaviors related to cash-flow management, saving, and investing.

Financial knowledge can be statistically linked to financial practices related to credit as well as the cash-flow management, saving, and investing behaviors cited above (Hilgert, Hogarth, and Beverly, 2003). In addition, learning experiences – in particular, learning from family, friends, and personal experiences – were associated with engaging in more financial management behaviors related to all four areas of financial behaviors. “This pattern may indicate that increases in knowledge and experience can lead to improvements in financial practices, although the causality could flow in the other direction – or even both ways” (Hilgert et al., 2003, p. 321)

Are Financial Education Initiatives Working – and How Do We Know?

Perhaps the greatest challenge in financial education is measuring the efficacy of the program. Getting one's financial house in order can take time, and longitudinal studies to prove that a particular program is effective are costly to conduct. However, there have been some longer-term impact and evaluation studies that show that financial education can make a difference.

The NEFE High School Financial Planning Program, which has educated over 2 million high school students in basic personal finance concepts, has had a strong post-program impact on students (Danes, 2004). An evaluation of 483 teachers and 5,329 students across the country revealed that participating teens maintained increases in financial knowledge and skills over a three-month period after having taken the course. In addition, increases in knowledge and sound financial behavior led to increased confidence in managing money. Nearly two-fifths (59 percent) understood the costs of buying on credit and more than half (53 percent) knew about investments. Connecting increased knowledge to behavior, the study found that more than half of the teens (53 percent) improved skills for tracking spending and two-fifths (60 percent) reported a change in their saving patterns. Upon completion, nearly four-fifths (78 percent) reported feeling more confident about managing their money.

Money 2000, a Cooperative Extension System program that focuses on participant debt reduction and/or savings accumulation, includes an extended-period behavioral monitoring program (O'Neill, 1997). Emphasis is placed on achieving specific measurable goals set individually by enrollees. Eight out of ten respondents (80.4 percent) affirmed that the program improved their financial situation. As of the end of 2000, over 13,000 participants in 22 states reported a cumulative increased savings of \$10,618,271 and a cumulative decrease in consumer debt of \$8,247,219 (a total effect of \$18,865,490; Money2000, 2000).

Bernheim et al. (2001) studied the relationship between high school financial curriculum mandates and adult savings patterns and net worth. The study concluded that mandates increase exposure to financial education, and financial education is associated with higher savings rates and higher net worth. They conclude, "education may be a powerful tool for stimulating personal saving" (Bernheim et al., 2001, p. 426).

Individual Development Accounts (IDAs) are a relatively new policy initiative designed to help low-income families build wealth (see, for example, Sherraden, 1991). IDAs are meant to improve access to savings institutions for the poor by providing matching funds for savings toward home ownership, higher education, and microenterprise. The American Dream Demonstration (ADD) project evaluated preliminary data on IDAs of 2,378 participants (Schreiner et al., 2002). The data showed that average monthly net deposits per participant were \$25.42. On average, participants saved 67 percent of their monthly savings target. The average match rate was two-to-one, and participants accumulated about \$900 per year in their IDAs. Financial education is part of the IDA initiative; the ADD data show that average monthly net deposits "increased sharply as hours of general financial [education] attendance increased from

zero to 12, after which it leveled off” (Schreiner et al., 2001, p. 115). This finding seems to confirm Bernheim et al. that education is a powerful tool for stimulating savings.

Hirad and Zorn (2001) examined the effectiveness of a different type of financial education on financial behavior. More specifically, they studied the effects of pre-purchase homeownership counseling on reducing 90-day delinquency rates. “Counseling” was defined as “specific and tailored to the particular needs of the individual, while education typically is administered in a generic program” (Hirad and Zorn, 2001, p. 5). Only consumers with at least 18 months of data were included in the study. Data on almost 40,000 mortgages revealed that borrowers receiving counseling had a 19 percent lower 90-day delinquency rate than those without counseling. Moreover, borrowers receiving counseling through individual programs experienced a significantly greater reduction in delinquency rates, 34 percent compared to 26 percent reductions for borrowers receiving classroom counseling, and 21 percent for those receiving home-study counseling.

There is, however, some limited evidence that education may not always work. In a study of Chapter 13 debtors, Braucher (2001) found that, controlling for some other factors, consumers who attended debtor education were about 12 percent less likely to complete their repayment programs. One possible explanation for this counter-intuitive result is that education may be a proxy for other unmeasured variables, such as income level, level of debt, and format of the educational program.

These examples plus others, summarized briefly in Table 1, provide some concrete evidence that financial education – in various forms – can work to improve the economic status of families. However, it is important to remind ourselves that at the same time these programs are showing positive impacts at the micro level, we still see evidence of problems with credit and bankruptcy and with a lack of planning and participation in retirement savings at the macro level. There is still room for improvement in the financial literacy levels of U.S. households.

Table 1. Summary of Financial Education Impact Evaluations

Authors	Date	Audience/Program	Content
Shelton & Hill	1995	Low- to moderate-income first-time home buyers	Connection between financial education and participants’ effective budgeting behavior and homeownership preparedness
DeVaney, Gorham, Bechman, & Haldeman	1996	Women’s financial management	Participants changed attitudes and selected financial management behaviors
O’Neill	1997	Money 2000	Improved financial situation; self-anchoring goals achieved (debts reduced, savings increased)
Boyce & Danes	1998	NEFE High School Financial Planning Program	Teens maintained increases in knowledge and skills; increased confidence in managing money
Garman, Kim,	1999	Employees	Workplace financial education

Kratzer, Brunson, & Joo			improves financial decision making and increases confidence in investment decisions
O'Neill, Xiao, Bristow, Brennan, & Kerbel	2000	Money 2000	Changes for 15 financial behaviors and attitudes
Bernheim, Garrett, & Maki	2001	Students in states with financial education mandates	Mandates increase exposure to financial education; financial education associated with higher saving rates and higher net worth
Clancy, Grinstein-Weiss, & Schreiner	2001	IDA participants	Variations in content materials, quality of teaching, teacher/student ratio affect program evaluation; differentiate financial education in general vs. financial education as delivered by a specific program
Braucher	2001	Bankruptcy clients	Those attending debtor education were less likely to complete repayment programs
Hirad & Zorn	2001	Home buyers	Among a variety of pre-purchase educational tactics, counseling was associated with lower rates of 90-day delinquencies
Kim, Kratzer, & Leech	2001	Employees	Workplace financial education increases participation in 401k plans
Schreiner, Sherraden, Clancy, Johnson, Curley, Grinstein-Weiss, Zhan, & Beverly	2001	IDAs & American Dream Demonstration	Monthly net deposits per participant increased as hours of financial education increased from 0 to 12
Elliehausen, Lindquist, & Staten	2002	Credit counseling program	Those going through one-on-one counseling had higher credit scores and better credit management practices.
Brobeck, Clarke, Wooten, & Wilkening	2003	America Saves	Participants increased interest more than confidence and confidence more than knowledge in saving and wealth-building; motivation alone is not enough to make informed decisions and institute behavioral changes
Lyons & Scherpf	2003	Money Smart	Increased financial knowledge, better able to manage finances
Anderson, Zhan, & Scott	2004	Low-income families	Incentives an important factor when designing financial education programs
Bernartzi & Thaler	2004	Save More Tomorrow; workers	Increases in 401k savings out of future raises; increased participation rates and increased contribution rates

Danes	2004	NEFE High School Financial Planning Program	Teens increased knowledge, skills, and confidence in managing money, and maintained these increases over a three-month period
Lusardi	2004	Health & Retirement Study	Financial education (attending retirement seminar and asking for Social Security estimate) associated with increases in financial net worth and total net worth
Rand	2004	Welfare recipients and low income workers	Knowledge gains across several categories of financial management; increases/improvements in several financial management behaviors
Rupured	2004	Consumer Financial Literacy Program, University of Georgia	Better account management, increased savings
Hira & Loibl	2005	Employees of an insurance company	Better understanding of personal finances and future impacts; gains in confidence in future financial situation and increase company loyalty.
Lyons, Palmer, Jayaratne, & Scherpf	2006	Financial education providers (community educators & others)	A review of the evaluation capacity of community educators and others delivering financial education programs

Future Developments in Evaluation

As of this writing, several other evaluations of financial education programs are underway or about to get started. The Consumer Federation of America is leading a longitudinal project to evaluate the impacts of credit counseling, including a variety of counseling delivery formats (for example, in-person, web-based, and over the phone). The America Saves program is doing a multilevel evaluation of Cleveland Saves, exploring changes at the household and organizational levels. The Philadelphia Federal Reserve Bank is engaged in an evaluation of homeowner counseling programs. And finally, the Federal Reserve Board is beginning a project with the Department of Defense and the U.S. Army post at Ft. Bliss for a longitudinal evaluation of their financial education program. Thus, in several years, we may know much more about the outcomes and impacts that financial education has on individuals and their communities.

The Difficulties in Measuring the Effectiveness of Financial Education

Although it clear that financial education is beneficial and has a positive impact on the lives of consumers, what kind of an impact and to what degree are often difficult to measure. Researchers and practitioners continue to debate the rigor of various evaluation techniques and the measures to use (Lyons, 2005). While knowledge, attitudes, behaviors, and outcomes (dollars saved or debt reduced) are often the metrics, researchers and program evaluators are

beginning to coalesce around the desirability of outcome measures. Increased knowledge does not necessarily change behavior. In addition the wide variety of financial education objectives makes measuring changes in behavior difficult. A study evaluating the impact of mortgage counseling on first time home buyers would have to be conducted very differently than one measuring the change in financial knowledge of high school student as the result of financial education being introduced into the curriculum.

Evaluation frameworks need to be tailored to fit the program and individual objectives. Sebstad, Cohen, and Stack (2006) lay out a framework for evaluating financial education programs and state that “Any evaluation strategy needs to start by defining a specific set of questions, relevant levels of analysis, and measurable indicators. The choice will depend on the purpose of the assessment, the audience, and resources available. It also will depend on what reasonably can be expected to change as a result of the program within the time frame of the study” (Sebstad, Cohen, & Stack, 2006, page 4).

What Is the Role that Financial Education Plays in Community Economic Development?

There is increasing evidence that financial education makes a difference in consumers’ attitudes and behaviors, but most of these studies focused on household-level behaviors. Credit has been reduced, savings have been increased, assets have been built up – but virtually none of these outcomes has been related to neighborhoods, communities, or economic development more generally. It may seem logical that these behaviors, in the aggregate, should lead to community improvements, but we really have little data to validate these improvements.

One example of the potential impact of financial education on community development comes from the Opportunities Credit Union, formerly the Vermont Development Credit Union. Opportunities Credit Union (OCU) is one of about 300 community development credit unions that have a social mission to provide fair and affordable financial services to underserved populations. It provides counseling-based lending and financial services to a predominantly low-income membership of 13,000 Vermonters in 210 towns.

The Opportunities Credit Union has been highlighted by the Pew Partnership for Civic Change as a model of “Solutions for America” (Pew Partnership, 2002). OCU has enabled thousands of low-income Vermonters to start and expand small businesses, purchase homes, and finance reliable vehicles to travel to their jobs. The focus of OCU is on sustainable economic development through affordable lending and financial services.

OCU believes that it is particularly effective as a financial educator and counselor for two reasons: (1) when people come to OCU they are in an especially teachable frame of mind, because they want something like a car or a house, and (2) OCU has a wide array of practical tools that help people learn by doing. These tools include no-fee savings accounts, sub-accounts to accumulate funds for specific need and goals, and “tracker” loans to build or repair credit. Kolodinsky et al. (2004, 2006) surveyed OCU members and their work provides some evidence that there is indeed a connection between participating in activities in a community development credit union and civic and social engagement. They posited a model in which credit union members were more engaged not only in their near environments (family finances) but also in their social environments (involvement in neighborhood and community). This study included

only one point in time, but it represents a tantalizing opportunity to look in more depth at the impact of financial education and access to financial services using longitudinal panel data from Opportunities Credit Union (OCU) members.

The OCU Case Study

In 2001 and again in 2004, members of the OCU were surveyed regarding their involvement with the credit union – for example, which services they used (savings, transactions, lending, and a variety of educational services) and which of these services they found to be first, second, and third “most important.” Members were also asked whether and to what degree OCU helped them manage their money, get their finances on track, pay off debts, expand their financial goals, save more, have more assets, increase household income, improve job opportunities, improve housing opportunities, become more self-confident, improve their quality of life, feel more hopeful, and be more involved in their neighborhood and community (see Appendix Table 1). These measures represent the outgoing ripples of the impacts of financial education:

- First-level benefits of membership are defined as those directly related to household financial management
- Second-level benefits relate to the households’ interactions with their near environment – housing, jobs, etc.
- Third-level benefits are the most “macro” in nature, including increases in confidence, perceived quality of life and hopefulness, and involvement in the community.

For this paper, we report on the links between the use of educational services offered by OCU and members’ assessment of their ability to manage their money, get on track financially, and so forth. Because the data are a longitudinal panel, and because of the usual problems with attrition and non-response in panel data, we have fewer than 50 observations and will only be able to present a descriptive analysis across the three-year period. Nonetheless, we feel these data provide some valuable insights into the potential links between financial education, financial services, and community development outcomes.

In 2001, 13 percent of respondents indicated that the credit union’s educational services were the “most important” service they used; by 2004, no one said educational services continued to be the most important, although 38 percent indicated they were the second- or third-most important credit union services used. The specific education services included in the survey were budget counseling programs (Money Sense), credit repair, member newsletters, advisory services, homeownership counseling, home bridge programs, and Super Savers.

Saving and Loan Balances

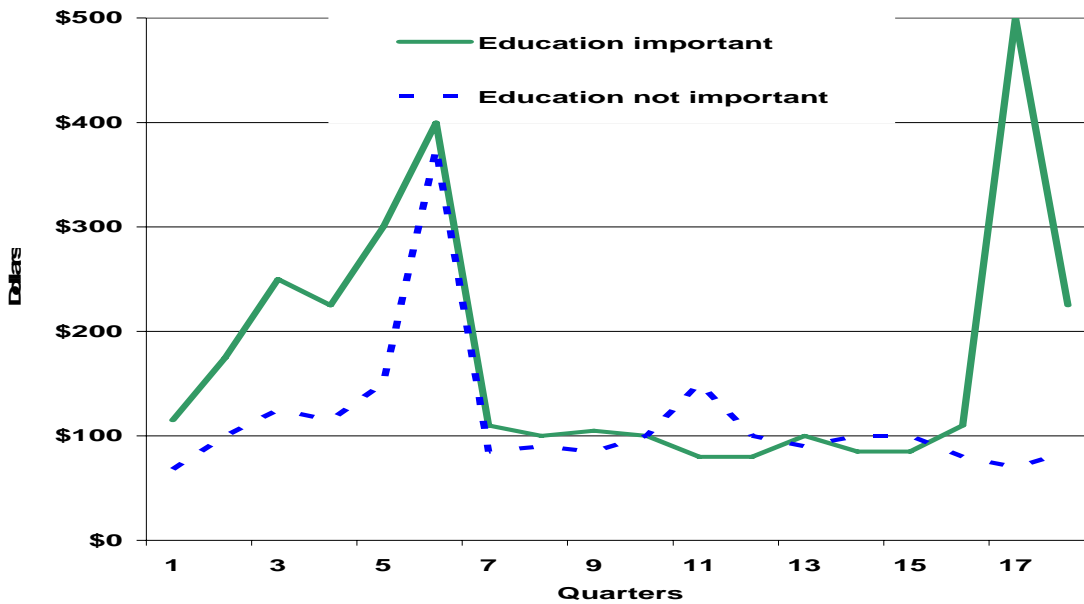
Data from 2001 to 2004 show some interesting trends in savings and lending patterns. In general, those who said educational services were important had higher levels of savings at the start of data collection in 2001 and at the end of data collection in 2004 (Table 2). While this group had higher loan balances than their counterparts in 2001, they had lower balances by 2004.

Table 2. Savings and Loan Balances in First Quarter, 2001, and in Final Quarter, 2004, by Importance of Educational Services Reported in 2004

	Those in 2004 who did <i>not</i> say educational services were important	Those in 2004 who said educational services were important
Savings balance		
1st quarter, 2001 data	\$68	\$115
Final quarter, 2004 data	82	223
Loan balance		
1st quarter, 2001 data	369	647
Final quarter, 2004 data	882	82

However, these “end point” data mask some of the more interesting variations over time, particularly with respect to savings patterns. As seen in Figure 1, there seems to be quite a bit of variability. One hypothesis consistent with this pattern is that households save up for something and then buy it with their savings, thus depleting their savings. What is interesting is that there is variability among both those who said OCU educational services were important and those that did not.

Figure 1. Saving Balances, 2001 to 2004



Financial Education and Community Involvement

We next looked at whether members reported any first-, second-, or third-level benefits and the role that financial education played (Table 3). Financial education seems to make the biggest impact at the primary benefit level. In 2001, only 30 percent of those saying educational services were not important reported a first-level benefit, while 59 percent of those saying

educational services were important reported a first-level benefit. Although larger proportions of members reported first-level benefits in 2004, the differential remained between those who felt educational services were not important and those who felt they were. In part, this “education differential” may be because many OCU members are still working on these first-level benefit skills.

Interestingly, between 2001 and 2004 reports of second-level benefits went down, although the role of education remained important. Education for this category of benefits extends beyond basic money management, to investing, acquiring and managing assets, and extending financial goals beyond the near-term. As membership grows and stays with the credit union (that is, if they don’t graduate to a bank), OCU may need to investigate higher levels or different kinds of financial education. OCU cannot abandon the basic financial education services, but they will also need to pay attention to growing with their customer base, which will take more resources.

Reports of third-level benefits remained the same across the three years, with slightly higher proportions of those saying that education was important reporting these third-level benefits (77 percent versus 74 percent).

Table 3. Percent Experiencing First-, Second-, or Third-Level Benefits from Credit Union Membership by Year and Importance of Financial Education Services

	2001			2004		
	% reporting benefit in 2001	Those in 2001 who did <i>not</i> say educational services were important	Those in 2001 who said educational services were important	% reporting benefit in 2004	Those in 2004 who did <i>not</i> say educational services were important	Those in 2004 who said educational services were important
First level	41	30	59	57	48	71
Second level	84	78	94	62	67	71
Third level	74	74	77	75	74	77

The table reads: Looking at the 2001 answers of the respondents from 2004, 41% reported a first-level benefit; among those in 2001 who said educational services were not important, 30% reported a first-level benefit compared with 59% of those who said educational services were important. By 2004, 57% of respondents reported a first-level benefit; among those in 2004 who said educational services were not important, 48% reported a first-level benefit compared with 71% of those who said educational services were important.

Conclusions

We began this paper with a goal of providing a snapshot of the current state of financial education in the U.S. as it relates to community development. We documented an ample number of financial education programs and resources, and we touched on a number of evaluative efforts

that document the effects of these initiatives in terms of increased knowledge and improved financial management behaviors, at least at the household level.

It is important to keep in mind that knowing and doing may be two different things. Financial education, often associated with increasing knowledge, may require a combination of information, skill building, and motivation to make the desired changes in behavior. The distinction between information and education is an especially important point for policymakers and program leaders making decisions about the allocation of resources. Financial education and awareness campaigns and learning tools (for example, web sites or brochures), all important in their own right, may need to be coupled with audience-targeted motivational strategies to elicit the desired behavioral changes in financial management practices.

It is also important to keep in mind that financial education is only one part of an economic development strategy. Financial education can serve to complement other policies that enable financial access, provide for substantive protection in the financial marketplace, and offer mechanisms for redress. Also, it is necessary to note that education may need to be accompanied by advising – although general education and financial education courses can be helpful, consumers need to apply what they learn to their families and their situations. In the end, personal finance is, after all, personal.

Making the link between financial education and community economic development outcomes is a bit thornier. Logically, financially-educated consumers should make better decisions for their families, increasing their economic security and well being. Secure families are better able to contribute to vital, thriving communities, further fostering community economic development. But identifying and documenting those links is difficult. Data from a community development credit union, provided as a case study, hint at the potential relationships between financial education and community involvement and give us some hope that financial education programs really are making a difference in communities, and that we will some day be able to document those differences more robustly.

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Appendix

Table 1. Proportion of Respondents Indicating that OCU Has Affected their Financial Well-being

Since joining OCU,	% Responding in 2001		% Responding in 2004	
	All 2004 respondents	Those in 2004 who said educational services were important	All 2004 respondents	Those in 2004 who said educational services were important
First-level benefit				
I am better able to manage my money	47	59	50	71
I have been able to get my finances on track	50	53	61	71
I am better able to pay off debts	48	65	55	82
Second-level benefit				
I have expanded my financial goals	48	53	57	65
I am saving more	52	59	41	24
I have more assets	55	71	48	76
My household income has increased	43	41	40	53
My job opportunities have improved	34	24	23	24
My housing opportunities have improved	30	29	39	35
Third-level benefit				
I have become more self-confident	59	59	57	59
My overall quality of life has improved	61	59	66	71
I feel more hopeful about my life	30	59	66	88
I am more involved in my neighborhood and/or community	55	68	41	34

The table reads: In 2004, 71% of those who said educational services were important felt they were better able to manage their money, compared with 50% of those who did not say educational services were important. Looking back to these respondents' answers in 2001, 59% of those who said educational services were important in 2004 reported being better able to manage their money in 2001.

Financial Education Programs and Initiatives of the Federal Reserve System *In Order of Federal Reserve Bank District*

Federal Reserve System

American Savings Education Council is a national coalition of public- and private-sector institutions committed to making saving and retirement planning a priority for all Americans. ASEC is a program of the Employee Benefit Research Institute Education and Research Fund (EBRI-ERF). ASEC brings together public- and private-sector partners to share information on best practices and to collaborate on financial-security initiatives, including the federal government's *Savings Matters* campaign (now in its tenth year), the *Choose to Save*® public service campaign, and the U.S. Securities and Exchange Commission's *Facts on Saving and Investing* campaign. The Federal Reserve Board is an ASEC mission partner, along with other government agencies, educational institutions, and nonprofit organizations committed to increasing awareness of the importance of saving and financial education.

The Federal Reserve is active in the **America Saves** initiative and serves on the National Savings Forum, its national advisory committee. The mission of this nationwide campaign--sponsored by nonprofit, corporate, and government groups--is to help individuals and families save and build wealth. The program is targeted at low- and moderate-income families, to raise their awareness and support their efforts to become more financially secure. Through local and regional campaigns, *America Saves* recruits "savers," who commit to the program and pledge to save. As a result of their commitment, savers receive information and education about strategies for fulfilling their financial goals, such as reducing debt, building an emergency fund, and saving for a home, education, or retirement. The Federal Reserve Bank of Cleveland played a significant leadership role in developing and launching Cleveland Saves, a pilot program for the national *America Saves* campaign. The program has also launched the targeted initiatives *Black America Saves*, *Hispanic America Saves*, and *Military Saves*.

Financial Literacy and Education Commission (FLEC), established by Congress in 2003 through the passage of the Financial Literacy and Education Improvement Act, was created to "improve the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education." The Federal Reserve, along with numerous other federal government agencies, is a member of this commission, which is supported by the Treasury Department's Office of Financial Education.

U.S. Conference of Mayors' National DOLLAR WISE Campaign was developed to encourage the development of ongoing local strategies to educate citizens about financial issues. With improved basic money management and financial planning skills, citizens are in a better position to own homes, raise healthy families, educate their children, and invest in small businesses. The Federal Reserve Board serves as an advisor to the National DOLLAR WISE Campaign. The Federal Reserve Banks of Cleveland, Chicago, and St. Louis provide supporting programs that have been described as best practices by the U.S. Conference of Mayors.

Operation HOPE is a nonprofit organization that provides lower-income and minority populations and communities with financial education and access to financial services. Its mission is to improve asset-building skills and accessibility of mainstream financial services for its constituencies. The organization, founded in 1992, is effective in creating public-private

collaborations to fulfill its mission. Among its many national partners are the Federal Reserve Board, the FDIC, the Department of Commerce, H&R Block, E*Trade, Citigroup, and Bank of America. The Federal Reserve System has partnered with Operation HOPE in launching its youth financial education program *Banking on Our Future* in Washington, D.C.; Providence, Rhode Island; Atlanta, Georgia, and Los Angeles, California. A Federal Reserve Board staff member serves on Operation HOPE's Mid-Atlantic advisory board.

The Jump\$tart Coalition for Personal Financial Literacy, in its 10-year history, has brought visibility and--through its biennial survey of high school seniors--research-based data to the financial literacy movement. Jump\$tart is a Washington, D.C.-based not-for-profit organization that seeks to improve the personal financial literacy of students in kindergarten through college. The coalition has grown to include more than 170 national partners and 43 affiliated state coalitions. One of its premier services is the Jump\$tart Personal Finance Clearinghouse (www.jumpstartclearinghouse.org), a web site that lists more than 580 financial literacy titles and provides information about speakers and training programs. The Federal Reserve is a partner and serves on the Jump\$tart Coalition board of directors.

The Fed Challenge, in its twelfth year, is an academic competition in which five-member student teams play the role of monetary policy makers. In this role, each team makes a presentation in which it analyzes the current economic situation and advocates a monetary policy prescription. The team then engages in a question-and-answer session in which the judges probe to examine students' understanding of the mechanics of monetary policy, macroeconomic concepts, and the workings of the Fed. The Fed Challenge has been a great success, as measured by participants' grades on Advance Placement Exams, adoption of the program by other central banks (for example, the central banks of England, New Zealand, and South Korea); recommendations in the New York State Economics Syllabus, textbooks, and the National Academy Foundation's Academy of Finance curriculum; and anecdotal evidence offered by teachers that the Fed Challenge profoundly affects participants' career choices. The Fed Challenge is organized by the Federal Reserve Bank of New York, and many other Federal Reserve Banks participate.

FederalReserveEducation.org is the Federal Reserve System's recently redesigned financial education web site, designed to increase the use of Federal Reserve educational materials and promote financial education in the classroom. The web site has material intended for the general public, as well as materials specifically geared toward teachers and high school and college students. It provides easy access to free educational materials, a resource search engine for teachers, and games for various ages and knowledge levels. FederalReserveEducation.org is maintained by the Federal Reserve Bank of Kansas City.

Federal Reserve Community Affairs Research Conferences are sponsored to invite and highlight research on a variety of issues that affect consumer financial service policies and practices. Since 1999, this biennial event has featured research that evaluates and explores the role of financial education in improving financial outcomes for consumers, particularly those with lower incomes.

Boston

The New England Economic Adventure is an hour-and-a-half interactive exhibit at the Federal Reserve Bank of Boston that highlights New England entrepreneurs Francis Cabot Lowell, Colonel Albert Pope, and Ken Olson and investment decisions they made that enabled workers to be more productive. Increased productivity helped to raise the standard of living of the average New Englander and contributed to the overall economic growth of the region. Program use and effectiveness is tracked through visitor and teacher evaluations and an online evaluation form. Numbers of visitors, including those from low- and moderate-income communities, are also recorded.

Peanuts & Crackerjacks is a frequently visited online economic education program that simulates a baseball game to teach economic concepts. Pitches are questions, correct answers to questions about the economics of team sports lead to hits and runs, and wrong answers are outs. The site also includes a teacher's guide. The next iteration, **Economics of Entertainment**, is due out in this fall. It will focus more on the abstract concept of markets and will draw from the music industry to tap into students' own experience.

Talking About College is a curriculum created in collaboration with Citizen Schools, the national after-school program. It was created for middle school students to nurture their aspiration to attend college and to assist them in financial planning and the college-selection process. This curriculum has been taught as a financial literacy "apprenticeship" in after-school programs in the Boston Public Schools. The curriculum includes a built-in assessment.

New York

It's All About Your Money is a program, offered in two formats, that promotes financial awareness among students in grades 4 to 8. In one format, groups of 30 to 35 students visit the Bank for roughly three hours to take part in a series of activities, including a play about bartering; an active-learning exercise about how money has changed over time; social studies lessons derived by examining foreign currency notes; and several team and individual activities focusing on budgeting, saving, and other personal finance topics. In the second format, teachers direct all of the activities described in the first format in their own classrooms by using a package of materials and guides ordered directly from the Bank through the Internet. Success is measured by the teachers, who engage students in activities and assignments before and after their visit to the Bank. Students then write letters to the Bank discussing what they learned and what they intend to do differently as a result of the program. In the 2005–2006 school year, the program was presented to 55 schools, mainly in low- and moderate-income communities, as planned.

Foundations of Finance: Money Management for High School and College Students is a money management workshop that teaches students basic sound practices that foster wise financial decision making. Workshop content is flexible and can be adapted to the content, format, and time specifications set forth by each host school or college. Frequently requested topics include college financing, the benefits and risks of credit use, financing life's expected and unexpected contingencies, budgeting and building net worth, taxes and other financial obligations, wise consumer practices, work and compensation, and common financial mistakes. Success is measured by school administrators and educators, who meet to determine the extent to which the workshops helped to encourage changes in curricula and mandates. Ideally, the workshop results in the development of new courses, mandated personal finance awareness

sessions for all students, or changes in course content. An attempt is made to contact all students who participated in the workshop to determine how it changed their financial practices.

Wall Street Economics and Finance Club reaches approximately 50 high school students from throughout the Second Federal Reserve District who convene for eight two-hour monthly meetings at the New York Fed to learn more about the structure and functions of the financial system. Students take part in numerous activities, including discussions with economists, analysts, and traders at private-sector financial institutions; visits to trading floors and financial exchanges; their own presentations about financial developments and issues; and educational competitions that lead directly to internships. The Bank measures success by participating in discussions with educators involved in the program, attempting to determine the extent to which club activities resulted in changes in lesson plans, curricula, course offerings, and students' performance and interest in finance-related topics. Students in the club become ambassadors to their classmates, encouraging greater interest in economics and finance as a course of study or career.

Philadelphia

Finding the Keys to Your Financial Success is an annual, free, five-day training program for educators on a curriculum created by the Bank, the University of Delaware, the Delaware Bankers' Association, and the Consumer Credit Counseling Services of Maryland and Delaware. The program is used extensively in Delaware schools, and over the past two years it has been promoted to schools in seven Pennsylvania and New Jersey school districts.

Buried by Debt: the Dangers of Borrowing is a 14-minute video for adults that describes the pitfalls of borrowing against your home. On the video, six Philadelphia District residents tell the viewers, in their own words, how they lost or nearly lost their homes by making unwise borrowing decisions. The Bank created the video at the request of ministers who were contacted to assist with outreach to low- and moderate-income minority homeowners who were most at risk because of lending abuses. The Bank has distributed over 4,000 copies to organizations throughout the United States and abroad. The video is shown at training events conducted for faith-based organizations interested in delivering financial education programs. A Spanish version is also available.

Money and Banking for Educators, the Bank's signature free summer professional development course for teachers, is in its third year of existence. It is designed to provide teachers with active learning techniques to enhance students' understanding of the economy, the Federal Reserve System, and monetary policy. Those who elect to receive graduate-level credits for the course enroll through a participating university.

Personal Finance for the Middle School Classroom is a five-day professional development course for K-12 educators taught by Federal Reserve economic education specialists and staff from the state centers for economic education. The course covers how to teach students about money, banking, and the Federal Reserve System. Emphasis is placed on strategies for active and collaborative learning.

Personal Financial Education Curricula and Compendium of Providers provides information on training materials and other resources available to the public, as well as organizations that offer educational services in the Third Federal Reserve District.

Cleveland

The Learning Center and Money Museum was opened in January 2006. The Learning Center features over 30 interactive exhibits and related educational programs centered around the theme "What gives money value?" The educational programs were designed by the Bank, with teacher input, based on state educational benchmarks. Programs include lessons on saving and spending, inflation, barter, and the Federal Reserve System. The Learning Center hosted over 2,500 visitors in its first quarter of operations, and reservations for Learning Center educational programs are booking seven months in advance. All program participants "strongly agree" that their Learning Center visit provided a valuable learning experience. The center has been endorsed by the Ohio Council on Economic Education.

Fourth District Financial Education Consortia launched in June 2003 with a series of roundtable meetings with financial institutions, government agencies, and community-based nonprofits. These meetings were convened to coordinate financial education programs and discuss how to improve financial education delivery in the Fourth District, in part in response to the Federal Reserve Bank of Cleveland's financial education survey "Financial Education: What Is It and What Makes It So Important," published earlier that year. The meetings were also a response to the growing complexity of financial services, predatory lending, wide gaps between white and minority homeownership rates, record low savings rates, and increases in personal bankruptcies and debt among American consumers. The roundtable meetings resulted in the formation of several financial education networks, or "consortia," in the Cincinnati, Cleveland, and Pittsburgh regions. The Federal Reserve Bank of Cleveland has staff in each of those cities who act as coordinators for these initiatives.

The Essay Contest is an annual competition for area high school students. Essay topics are chosen with an eye toward engaging a broad range of students, not just students in economics classes. Topics have included the economics of children's literature, the economics of rock music, and economics on TV.

The Bank also participates in the **Fed Challenge** and hosts a number of other programs for teachers and students throughout the year, including workshops and student competitions with various partners such as **Ohio Jump\$tart, the Ohio Council on Economic Education, Junior Achievement,** and local public libraries.

Richmond

My Money is an educational package for elementary school students that includes a teacher's guide and student workbooks featuring lessons entitled "What is Money?", "Money Equivalents," and "Jobs, Money, Goods and Services." Over 1,100 *My Money* packages have been shipped to elementary schools worldwide since early 2006. Teacher feedback gathered from evaluation cards has been overwhelmingly positive.

The Essay Contest is an annual fall contest, sponsored by the Bank, designed to reach students who may not be enrolled in an economics class and have limited knowledge about personal

finance and the Federal Reserve. High school juniors and seniors write a three-page essay on a financial literacy topic or the Federal Reserve. Winners receive savings bonds at an awards luncheon held at the Bank. In the fall of 2005, the essay theme highlighted the importance of saving at a young age. There were over 250 entries.

Financial Literacy Fairs are sponsored by the Bank for its employees each year, during Financial Literacy Month. Financial seminars address issues ranging from free credit reports, saving for retirement, and paying off credit card debt.

The Bank also partners with local and regional financial and economic education organizations, including the **Council on Economic Education** in Maryland, Virginia, North Carolina, and South Carolina.

Atlanta

Monetary Policy: Part Art, Part Science is a DVD-based lesson that focuses on the structure and functions of the Federal Reserve System, the Fed's role in formulating monetary policy, and how members of Reserve Banks' board of directors contribute to interest rate-setting decisions. This video was originally used as part of the Atlanta tour program; however, because of its popularity, it was adapted for use across the District and for distribution to educators. As part of this extension, a lesson plan entitled "Monetary Policy Starts in Your Own Backyard" was developed to accompany the DVD. The lesson and video were distributed to more than 4,300 educators in the spring 2006 *Extra Credit* e-newsletter.

Extra Credit, an e-newsletter published twice a year, is designed to help teachers looking for information, lesson plans and activities, and ideas for teaching economics and personal finance to middle school and high school students. The second edition of the e-newsletter, available on the Internet, was distributed in spring 2006 to more than 4,300 educators.

Financial Education Day at the Fed, an annual event, teaches eighth-grade students about personal financial education. More than 40 employee volunteers teach roughly 250 students money management skills through lectures and interactive exercises dealing with budgeting, credit, and saving. To measure the knowledge gained, students are given a test--both before and after the event--on the topics covered.

Workshops and tours reached roughly 2,000 educators and over 15,300 students in 2005. In addition to conducting workshops and tours, the Bank works with other organizations to collaborate on various initiatives to provide quality learning experiences for educators. In July 2005 the Bank--in cooperation with the St. Louis Fed's Memphis Branch, the Mississippi Council on Economic Education, and Mississippi Jump\$tart--conducted a three-day economic and financial education workshop that reached over 100 educators each day. Similar collaborations are planned for 2006 throughout the District.

The Bank also works closely with the state **Department of Education** and state legislators on legislation and on a curriculum for a high school personal finance course. It also works with organizations that promote financial literacy, such as **Junior Achievement, Jump\$tart Coalition**, and the **Academy of Finance**.

Chicago

Money Smart Week, an annual event, continues to be the Bank's premier program for promoting the importance of financial and economic education to the Chicago community. In line with our goals to continue growth, participating partner organizations numbered 192 (up from 134 a year ago) and events numbered 274 (up from 220 in 2005). The campaign included promotional and marketing components such as a direct mail campaign to one million households, distribution of almost 400,000 Money Smart bookmarks to grades K-6 within the Chicago public schools, and street marketing campaigns to distribute 40,000 event calendars. In addition, 5,000 Spanish language event calendars were distributed as part of the program.

Financial Education Research Center is a database of research on the impact of financial education programs. The goal of the center is to promote excellence in the field by providing online resources for researchers, educators, program directors, and others interested in supporting these types of programs and initiatives. The web-based tool also offers a listing of national financial education programs available to the public and educators.

Power of Money Curriculum Package includes two lesson plans and a nine-minute video about the Federal Reserve Bank of Chicago. Since its inception in 2003, the package has been distributed to almost 2,200 high schools in the five-state region. The total audience for the project is upwards of 250,000 students.

The Visitors Center and Tour Program continues to grow and receive positive feedback from the students, teachers, and members of the general public who visit the facility. Surveys in which visitors rated their experience in the Visitors Center show an 87 percent satisfaction rate, defined as a score of 4.5 on a 5-point scale. The total number of counted visitors in the Visitors Center during 2005 was 23,623, a 9 percent increase over 2004. Uncounted (walk-in visitors) are estimated to have totaled more than 5,000 in 2005. This was the second year in a row in which the number of counted visitors has exceeded 20,000. Since the museum opened in June 2001, new attendance records have been set each year.

St. Louis

Making Sense of Money and Banking is a one-week, three-credit college course hosted by the Bank in conjunction with the University of Missouri--St. Louis and Southern Illinois University--Edwardsville. The course is offered to K-12 teachers to help them integrate money and banking topics into social studies, language arts, and math lessons. Guest speakers from the St. Louis Fed are featured. June 2006 will mark the eleventh year of the course, which draws 25 to 35 educators each year. The success of the course is measured by attendance, formal course evaluations, and general commentary by actual and prospective students.

Teach Children to Save Day is a national event developed by the American Bankers Association Education Foundation in cooperation with the Bank, the University of Missouri--St. Louis Center for Entrepreneurship and Economic Education, and a number of metro area banks. Students in the first, second, and third grades are given 45-minute lessons on the importance of saving and then receive piggy banks. Of the 148 volunteers who delivered the program to 287 area classrooms, 68 were Bank employees. Success is measured by participation and by reaction from teachers and students.

Your Paycheck is a program conducted with Culver-Stockton College of Canton, Missouri, that focuses on teenagers earning their first paychecks and facing challenges related to money, credit, and financial responsibility. The program is sponsored by Quincy, Illinois, businesses that often employ teens. The program's trainers are Culver-Stockton students who are trained by Bank employees. Success is measured by evaluations from the student trainers and the program students.

Learn Before You Leap is a series of brochures listing counseling agencies that provide advice on every step of the home-buying process, from budgeting income to negotiating a contract to closing on a loan. Each of the brochures focuses on one of the Federal Reserve Bank's regional areas--St. Louis, Little Rock, Louisville, and Memphis.

Minneapolis

Supply, Demand, and Deadlines is an annual economics workshop for journalists. In its sixth year, the workshop--sponsored by the Bank and the University of Minnesota's Journalism School--was founded on the premise that a better understanding of economics can improve the reporting skills of journalists from all news beats, not just the business section. Roughly two dozen journalists from all types of media spend three days learning about economic principles and participate in a thorough case study. The workshop faculty includes college professors and experienced professional journalists. All participants are surveyed six months after the course to determine how they are applying what they have learned.

The Essay Contest for High School Students, has, since 1998, challenged hundreds of high school students from the District to look through an economic lens to address questions about poverty, the environment, banking, economic development, and even illegal drug markets. The top 30 essay writers, along with their parents and teachers, are invited to the Bank for an educational program on that year's subject and to receive an award. Many teachers also use the contest materials in their class curriculum to apply economics to real-world issues. The Bank works with District teachers to regularly evaluate the effectiveness of this program.

The Bank has also assisted with the formation of local financial education organizations, including the **Montana Financial Education Coalition (MFEC)**, the **Montana Jump\$tart Coalition affiliate**, and the **Minnesota Jump\$tart Coalition affiliate**. The Bank partners with the **Native Financial Education Coalition (NFEC)**, created to promote financial education in native communities, and its Youth Initiatives Committee for the Building Native Communities adult financial education curriculum; the **Minnesota Council of Economic Education**; the **Montana Council of Economic Education**; the **South Dakota Council of Economic Education**; the **Minnesota Saves Network**; and the **University of Minnesota's Center for Personal and Family Financial Education (CPFFE)**.

Kansas City

The Workplace Financial Education Program encourages employers to offer financial education classes to employees. The program is a series of seminars that include budgeting for current and future needs, reducing debt, increasing savings, understanding how credit works, improving credit ratings, building a relationship with financial institutions, and maximizing retirement funds. To complement the classroom settings, each participant is offered up to two hours of confidential one-on-one counseling with a certified financial planner. This program was

piloted by the Bank in October 2005. Kansas City's community affairs research economist conducts surveys, before and after the program, in order to publish results and findings from the program.

Jump\$tart Your Money was organized in Oklahoma in 2005 and has successfully raised the profile of personal financial education. The event, one week of programs focusing on personal financial education, is sponsored by over 60 statewide partners. The Bank is working to replicate this program by establishing coalitions in Missouri, Kansas, and Nebraska. The Bank is also developing a comprehensive database and a public web site to create awareness of financial education resources and services.

The Bank also participates in financial education networks in Oklahoma, Colorado, New Mexico, and Wyoming--most notably **Teach Children to Save Day** (Denver and Kansas City), **Oklahoma Jump\$tart Coalition**, and the **Denver Financial Literacy Network**.

Dallas

Building Wealth: A Beginner's Guide to Securing Your Financial Future is a publication that introduces individuals and families to the idea of developing a plan for building personal wealth. It contains four sections: Learn the Language, Budget to Save, Save and Invest, and Take Control of Debt. Written in both English and Spanish, it is available in print and as an interactive web site. *Building Wealth* is widely used as a basic financial education tool by a broad range of professionals, including bankers and other lenders, credit counselors, homebuyer education providers, employers, and real estate professionals. Its popularity has increased steadily since its introduction in October 2000, and over 170,000 copies have been printed and distributed across the country. In addition, it is the most frequently downloaded publication on the Bank's web site, with over 130,000 downloads in 2005.

Rx: Financial Health is the Bank's 2006 personal financial education workshop. It will address topics related to achieving financial health--such as credit scoring, banking services, and tax preparation--and will touch on state-legislated personal finance education initiatives. This workshop, open to all high school educators, is part of a series of annual workshops hosted by the Bank in partnership with the Texas Council on Economic Education. Several presentations will be conducted by representatives of both private and public organizations, including the Internal Revenue Service, the Federal Reserve Bank of Dallas, and the Texas Council on Economic Education. The workshop was held in Dallas and at the Bank Branches.

Where Did My Money Go? Making Money, Spending It, and Keeping It was the Bank's 2005 workshop series, which focused on money in the form of income, how personal choices affect future income, and the difference between money made and money kept. More than 300 high school teachers attended workshops conducted by Dallas Fed economists, the Consumer Credit Counseling Services, and Citigroup's Office of Financial Education. The one-day events were held at the Bank in Dallas and at Branches throughout the District.

Riding the Waves of the Global Economy was a Bank-hosted two-day economic summit for more than 130 high school faculty. The program focused on the world economy and international issues, with special emphasis on technology, financial markets, poverty, and outsourcing. Dallas

Fed President Richard Fisher and Fordham University economics professor Darryl McLeod were featured speakers.

San Francisco

There's a Lot to Learn About Money is the Bank's one-hour personal finance session for high school students, which supplements the Bank's tour program. This interactive session teaches students how to take control of their finances by understanding the time value of money through saving and investing, how to develop a budget, and how to use credit wisely. Since the program was launched in the fall of 2005, a total of 69 workshops have been held, reaching 1,620 students. Teachers also have access to the program curriculum through the Bank's web site.

Open and Operating: The Federal Reserve Responds to September 11 is a video-based lesson that gives history and economics teachers a tool for introducing their students to the Federal Reserve System. The video combines news footage and interviews with Federal Reserve officials to illustrate how the Fed functions in the real world. The events of September 11, 2001, provide the context for this lesson, documenting how the Federal Reserve acted decisively to calm the financial markets, keep funds moving, and stabilize the economy. The program includes a videotape/DVD, a lesson plan booklet, and web-based resources. In the first quarter of 2006, 2,500 *Open and Operating* kits were distributed to high school teachers, reaching more than 17,500 students across the country.

The International Economic Summit (IES) is a program that educates high school students about the benefits of world trade while exploring the controversies associated with globalization. Working in small groups, student teams adopt a country and take on the role of economic advisor. Each student team evaluates conditions within their country and develops a strategic plan to improve living standards. A typical event hosts 300 to 400 students representing 60 to 80 countries. The event concludes with an awards ceremony recognizing those teams of economic advisors who achieved the goals of their strategic plan. Student teams also compete for awards in creative costume and table displays. The Bank established a partnership with the IES Foundation in 2003 to promote and support the program throughout the District. Since then, approximately 25,000 students have participated in the IES simulation in high school classrooms throughout California, Idaho, and Washington. Most recently, the first bi-national IES event hosted 300 high school seniors from San Diego County and Ensenada, Mexico.

Building Native Communities is a series of workshops offered in Portland, Sacramento, Seattle, and Phoenix to train tribal members and representatives of Native American community organizations to teach financial education curricula in their communities.

Individual Development Account Initiatives were launched in the District to establish partnerships for sponsoring match savings account programs for low- and moderate-income populations to save for buying a home, starting a small business, or pursuing education. The programs include financial education for participants.