

**Getting Our Money's Worth: Exploring State Strategies for  
Investing in Financial Literacy Education**

June 2007

Updated May 2008

By

Dana Twight, CFP®

In partial fulfillment of the requirements for a Master's Degree  
in Educational Leadership and Policy Studies (EDLPS)

Mark Johnson, the first FLPPP coordinator, initially supported this project. My advisor  
at the UW College of Education was Professor Michael Knapp.

## **Executive Summary/Abstract**

Many studies have been done in the last ten years about the problem of financial illiteracy among our nation's youth and indeed many adults. This report will highlight how different states, including Washington, are considering the issue of how to provide financial literacy education in a K-12 environment. Key observations from this research are that students and adults desire more knowledge, skills, and tools in this area than they have currently; providing financial education is different than providing financial information and data to students; ongoing professional development and alignment of the material to a set of standards is one way to ensure a sustainable program.

Curricular or graduation mandates might work, but the results take time to manifest themselves. Collaboration with non-governmental entities helps to leverage scarce resources yet cannot be the only path to funding or implementation. Government can play a variety of roles; mostly through grants, proclamations, grants to support partnerships and educator training and legislation encouraging or requiring teaching of the subject.

Recent global economic events have brought this issue to the doorsteps and wallets of many Washingtonians, more so than in early 2007, when this project was conceived. There are successful educational models in other states, which could help Washington State choose a way to go forward either with or without a legislative mandate to require financial education in the K-12 schools.

## **Introduction: Financial Literacy as an Emerging Educational Concern**

The purpose of this paper is to take a snapshot of how financial literacy education is perceived and how it can be addressed in Washington State and around the country. Additionally, the paper serves to (1) synthesize information on which to base policy and decisions about future Financial Literacy education in the state of Washington; (2) build an academic information base of related efforts by other states); and (3) assess constituent interests in Washington State concerning this subject area. Also included are some key ideas from literature and results of several surveys of students and young adults conducted by non-profit groups. I will begin by offering two definitions of financial literacy and illustrate how financial decision-making has become more complex in two areas.

What is financial literacy? For many of us the terms consumer education or personal finance might provide a glimmer of understanding. Personal finance has become "more personal" to many individuals in recent years. As the saying goes, this is not our parents' financial landscape. Increases in inflation, housing costs, post-secondary education expenses, the cost of health care and insurance, and 180-degree changes in the pension system have contributed to a situation in which individuals must take a hard, close look at their own personal finances and make strategic decisions based on what they see. Reductions in government subsidies for student loans, other educational benefits and the decline in real wages for many families are contributing factors as well.

Look first at retirement planning and the use of credit for illustrative purposes. If you worked for certain employers 40 years ago, they provided you with a defined benefit pension and they were responsible for the investment risk. That meant that you would receive a predictable monthly check when you retired for the rest of your life. The employer had the opportunity and the burden of choosing the pension investments. That same employer paid wages that could support a family and had other fringe benefits. Employees, on the other hand, did not need to have any investment knowledge or expertise to manage their retirement plan (if they had one); nor were they expected to have the tools and skills to evaluate and compare the plan and multiple investment possibilities.

Over the last 40 years, a shift has occurred, stimulated in part by changes in the tax code, to the current state of affairs, in which employees have assumed additional responsibility and investment risk for their own retirement savings. Now, the most commonly used form of retirement plan is the “defined contribution plan”, in which employees are for the most part encouraged to save their own money, invest it over time, and accumulate a sum for an uncertain benefit at retirement. To do so presumes some knowledge of investments, along with recognition of the effects of compound interest and inflation and of appropriate risk taking. Many employees do not comprehend the shift in the assumption of risk that these plan changes entail

Credit is now widely available and is a frequently used financial tool for many people. It is now normal to use and have access to credit—even for teenagers and college students. Contrast this with the 1960’s, when Bank of America introduced

the "BankAmericard", marketed all across California. It was the first card to offer its cardholders *payment options*, where they could pay the debt in full or they could make monthly payments while the banks charged interest on the remaining balances. The "BankAmericard" was unusual and the parents and grandparents who had lived through the Great Depression were wary of using credit; so not everyone had one, especially not teenagers and college students. Those parents probably passed on such values as "pay cash", "save for a rainy day", and "you can't always get what you want."

Fast forward several decades into a new century and the situation is fundamentally different on both the micro (personal) and the macro (national or global) levels. As the chairman of Epoch Investment Partners, William Priest said to the New York Times in 2006, ""In the last few years, there's been an acceleration of consumption relative to income," he said. "It's essentially come from the home A.T.M. machine." <sup>1</sup> Personal borrowing has skyrocketed in the last 25 years for Americans in general, but especially has increased for college students and their families. According to the US Dept. of Education, in 2005, "the average student borrower now graduates with \$27,600 of debt, almost three and a half times what it was a decade ago". Here too, enhanced knowledge of financial literacy concepts might inform this often reckless or uninformed borrowing, and have an effect on this pattern of escalating debt.

Americans are not good at saving money any more either. The average amount in a retirement account is \$49,944, but the median (midpoint) amount is only \$2,000.

---

<sup>1</sup> <http://www.nytimes.com/2006/10/01/business/yourmoney/01profit.html?ref=yourmoney>

(Source [www.bls.gov](http://www.bls.gov)).<sup>2</sup> But we used to save! “From 1980 through 1994, the US savings rate averaged 8%” (Federal Reserve Economic Letter, 2002). Nowadays, that figure seems incredible! (How many of us defer 8% of our income into a retirement plan for example?)

In 2005, the aggregate national savings rate turned negative for the first full year since the Great Depression and has continued to be negative through the first quarter of 2008, according to the US Bureau of Economic Analysis.<sup>3</sup> Another way to express this is that we are consistently spending more than we make, as individuals and as a country.

These developments—concerning retirement, the use of credit, and savings—are just some of the issues that underscore a need for better financial literacy, starting early in life, so that people develop a healthier, more proactive relationship to their financial lives and circumstances. This needs sets the stage for states to consider what “financial literacy education” might entail and what actions they could take to deepen this literacy in the state’s population. States may also want to define the populations they wish to reach, including but not limited to the following: K-12 students, 18-24 year old unemployed youth, families with little to no financial asset accumulation, any unemployed person, or military veterans.

### **Context for the Action to Improve “Financial Literacy”**

---

<sup>2</sup> See [www.bls.gov](http://www.bls.gov)

<sup>3</sup> See [www.bea.gov](http://www.bea.gov)

## **In Washington State**

Financial Literacy is the term commonly used to describe a body of knowledge in the area of consumer finance, savings, investing and managing credit. Various definitions are used. Nationally it has been defined as the following:

*Personal financial literacy is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy. (Lee, 2005)*

In Washington State, a legislatively designated body called the Financial Literacy Public Private Partnership (FLPPP) created the following definition for their work:

*Financial literacy is defined as the achievement of skills and knowledge necessary to make informed judgments and effective decisions regarding earning, spending, and the management of money and credit. [FLPPP Interim Report, June 2007, page 5)*

*As Washington's Basic Education Act states, "The goal of the Basic Education Act for the schools of the state of Washington set forth in this chapter shall be to provide students with the opportunity to become responsible citizens, to contribute to their own economic well-being and to that of their families and communities, and to enjoy productive and satisfying lives..." [Emphasis added].<sup>4</sup>*

---

<sup>4</sup> [http://dfi.wa.gov/flppp/pdf/2006\\_report.pdf](http://dfi.wa.gov/flppp/pdf/2006_report.pdf)

The FLPPP appears to be a unique partnership in the country, with stakeholders representing state government (the department of education, department of financial institutions, and the legislature), financial services providers, classroom teachers and non-profit providers of financial literacy materials and training.

Many members of the FLPPP have an interest in furthering financial education goals. The Boeing Employees Credit Union and other non-profits want to offer services to their employee-members and all Washingtonians. Banks and other for-profit companies might see better educated consumers as a way to retain customers, gain market share, and simplify their customer's lives by meeting multiple needs of their customers in one institution. Professional groups such as the Washington State Society of CPAs have other goals: "The Financial Literacy program supports one of the key elements of the strategic plan: We engage members in initiatives benefiting the public." ([WSCPA website](https://www.wscpa.org/wscpa/wscpa.cfm))<sup>5</sup> Other public and private institutions are interested in financial literacy at the state level as a matter of equity.

Many citizens of Washington state do not receive any kind of financial education at home; (some are able to leverage their resources by using financial professionals) but moreover, with solely 'on the job training', many people learn valuable lessons, but do not receive any of the benefits of this education. Their 'credits' are from 'the school of hard knocks'. This education or lack thereof has implications for the rest of their lives. They may be 'unbanked', they may have no

---

<sup>5</sup> <https://www.wscpa.org/wscpa/wscpa.cfm>

savings, or they may have bad credit. As one national financial organization says, “Your credit past is your credit future”.

Many things are now considered within the purview of the public schools; however, even within the public schools we do not reach all students. High school cannot be the sole source of this information, due to the dropout rate, graduation requirements and other resource challenges. Therefore, approaches that include all grades and an integrative approach for infusing the curriculum into required subjects are to be considered and recommended. All the students--the private and public school graduates and the school dropouts--will enter the workforce, pursue post-secondary education and training opportunities, and raise families in our state, or elsewhere in the country.

Their collective financial literacy and knowledge of economics will allow them to make wise choices [or not] that will bring both costs and benefits to other citizens of Washington. As State Representative Sharon Tomiko Santos, the chair of the FLPPP, stated in a 2007 interview, “This is the only time the people of Washington are required to do anything for a period of time—they are a compulsory audience while in public school.”

### **Key Ideas from Existing Literature**

Four important articles located for this project shed light on the underlying need and possible focus of efforts to promote financial literacy. Each one involves the

use of a survey or a questionnaire. They cover the United States and several other developed countries.

First, a review of high school financial curriculum mandates from 1957 through 1985 sheds light on the potential effects of this curriculum on students' knowledge and behavior (Bernheim, Garrett, & Maki, 2001). This research led to two interesting conclusions. The first one was that mandates "have raised both exposure to financial curricula and subsequent asset accumulation once exposed students reached adulthood." (Bernheim et al., 2001, p. 462) In other words, mandates helped, but the results came years later. This paper might lend support to those who favor mandated financial literacy curriculum rather than optional studies. In addition, this study might lend ammunition to the idea of financial education in school as an equity issue, as the authors also find support for ... "the view that financial education at school is a close substitute for financial education at home" (Bernheim et al., page 460).

A second study, based on a 2001 survey of consumers ages 18-97, found a correlation between "financial knowledge and behavior, although the direction of the causality is unclear" (Hilgert, Hogarth, & Beverly, 2003, p. 311). Knowledge and experience did contribute to positive behaviors, but public policy also played a positive role. An example cited was providing an incentive to save for retirement (as in tax deferred or tax-free savings). One of their concluding points is that "there is a difference between providing information and providing education" (Hilgert et al., 2003, p 321).

The same study continues, "The distinction between information and education is an especially important point for policymakers and program leaders making decisions about the allocation of resources" (Hilgert et al., p. 321). Information is readily available, but just providing information to students [or adults, for that matter] may not result in behavior changes. Rather, the challenge concerns *curriculum*—the purposeful design of structured learning opportunities—and *instruction*—the engagement of learners in the curriculum. What kind of curriculum will yield the desired outcomes for our students and society? What do Washington citizens need to know in order "*to contribute to their own economic well-being and to that of their families and communities*" (Washington Basic Education Act, 1993) and how can they be helped to know it?

A third, more recent study, from early 2007, restates the harsh conclusion that while "nearly all US adults believe that it is important to have a good understanding of economics", in fact, most adults and students are "sorely deficient" in this area (Lusardi & Mitchell, 2007). These researchers investigated financial illiteracy in the U.S. and several other countries, including Japan, New Zealand, and the U.K. A dire example from the U.S. is reflected in patterns of responses to four questions posed to Baby Boomers (ages 51-56) in their survey from 2006. The first two questions were:

1. If the chance of getting a disease is 10 per cent, how many people out of 1,000 would be expected to get the disease?
2. If 5 people all have the winning number in the lottery and the prize is \$2,000,000, how much will each of them get?

Over 80% answered the first question correctly; only about half could do simple division to answer the second question correctly. If a person answered either #1 or #2 correctly, they qualified for the next two questions, the first on compound interest and the second to determine "political literacy" (by naming the current President and Vice President).

3. You have \$200 in a savings account, which earns 10% interest in a year. How much is in the account at the end of two years?

4. Can you name the current President and Vice President?

Only 18% answered #3 correctly, 43% of the people who failed to give the correct answer performed only the simple interest calculation. Lastly, 20% of the sample could not name the current President or Vice President. The relatively high rate of failure in responding to these simple questions suggests that the need for this education and its' application of information to life circumstances is very high.

The conclusion of this article is the same for U.S. residents and those of other developed nations: "that consumers are poorly informed about financial products and practices". In addition, it is stated, "Rather, it is important to give consumers the *tools to change their behaviors, rather than simply delivering financial education*" (Lusardi & Mitchell, p 8). (Emphasis added) This conclusion builds on a conclusion from the Hilgert, et al study referenced above. Information, education, and training along with the tools to change behaviors to obtain specified outcomes might be a way for states to go forward.

One national organization, the Jump\$tart Coalition for Personal Financial Literacy is an important curriculum resource for states. The Coalition's goal is stated

on their website, "The Coalition's direct objective is to encourage curriculum enrichment to ensure that basic personal financial management skills are attained during the K-12 educational experience. The wheels of education do not need to be reinvented, they simply require balance." (footnote) Every other year, the Coalition conducts an assessment of high school students across the country. The chief researcher of the Jump\$tart biennial high school survey reminds us that the Jump\$tart data has found that "financial education and experience do *not* appear to be related to financial literacy" (Mandell, PAGE #). This could be disheartening to educators who wish to standardize, mandate and test financial education (Mandell, 2005). Mandell also analyzed the same data and concluded; "We just find no connection between education and financial literacy, measured, in most cases, within a year after taking such a course " (Mandell, 2006). However, he did find that students who are confident in their financial skills are thriftier than others and that students who took a one-semester course in personal finance are thriftier than others. As the national savings rate is negative right now, states and other organizations could determine that one purpose of financial education would be to improve the savings habits of their students and by extension, their citizens.

## **How State Legislatures Are Approaching**

### **Financial Literacy**

In a review of legislation already on the books and recently adopted, there are few examples with funding attached. As described previously, a few states pass

proclamations each year about National Financial Literacy Month in April. This does serve the purpose of getting the word out about financial literacy in various communities, garners press coverage, and may even stimulate further research in the states that pass these resolutions or proclamations. These proclamations are an important first step in gathering together a coalition of educators, parents and community members to support financial education in the state or local jurisdiction. Many of them involve the National Jump\$tart Coalition for Personal Financial Literacy, first convened in 1995.

Jump\$tart is a national group with 48 state organizations working more closely with state government, financial services providers and members of the state's education family. Their mission is to "[provide] advocacy, research, standards and educational resources". Their vision is that "personal finance is included in the education of all students. Jump\$tart provides the collaboration needed to ensure this education".<sup>6</sup> Members of Jump\$tart Washington's board have been closely involved with urging Governor Gregoire of Washington to support this education of our youth (see photos from 2005 and proclamation from 2007 in Appendix).

The National Jump\$tart has also developed a set of national standards for personal finance, recently updated for the third time (see Appendix). Standards are an important part of this mission to provide financial education for our students. Aligning with current state standards in subjects like math, social studies, or economics can be

---

<sup>6</sup> <http://www.jumpstart.org/>

one way to support the integration of financial literacy concepts throughout the curriculum.

A common theme of many pieces of state legislation is that it is important to teach young people about how to manage their money but that, conversely, it shouldn't cost anything. Common verbs seen in the legislation are urge, encourage, consider, recognize; not fund, distribute, or allocate. The funding that is allocated ranges from \$15,000 in the state of Maine to \$100,000 over a biennium in Washington State. Bills from New Hampshire or New Jersey will provide grants from the Commissioner of Education to create a pilot program in selected school districts and offer a personal financial literacy course. No dollar amount was attached to the legislation in these states. Actions in other states echo this reluctance to commit substantial resources to this purpose:

- *Idaho* passed a bill in 2007 to urge their State Board of Education to integrate the principles of basic personal finance into the public school curricula in Idaho. In their passed Resolution #10, it is requested that the SBE "explore ways to include...and to review existing ...programs...with the aim of formalizing personal financial management as a requirement for graduation." The section under fiscal impact states, "*Costs should be minimal*". [*Emphasis added*]
- *Maine* held one statewide seminar, which was to cost no more than \$15,000. [*Emphasis added*] It will be funded in a novel way-by using "available funds from the Unclaimed Property Fund." Continuing education credits will be provided. (123<sup>rd</sup> Maine Legislature, passed 2007)
- *Oklahoma*, which passed a bill in the spring of 2007 known as the Passport to Financial Literacy Act, provides this statement in their fiscal analysis, "the State Dept of Education has determined that most of the costs associated with the bill to be minimal; [*Emphasis added*]...the Oklahoma Council on Economic Education will work in conjunction with the agency to provide resources....and once all

guidelines are in place, teachers will still require the professional development. In communication with the Council, the agency has estimated the cost of this component at \$150,000 per year.” (HB 1476, passed May 18, 2007)

Two other states, Minnesota and Pennsylvania, are taking a more aggressive approach to promoting financial literacy that may offer models for others states interested in addressing this educational need.

### ***Minnesota: Investing in Teachers and Professional Learning***

Minnesota is working closely with the National Council on Economic Education (NCEE), from whom they received a grant for teacher training. The National Council is a “nationwide network that leads in promoting economic literacy with students and their teachers. Since 1949, NCEE has taken action, establishing comprehensive programs that equip teachers with tools to get economics and personal finance into the classroom, and to help students apply in their lives what they learn in school”.<sup>7</sup>

Minnesota has an extensive professional development schedule. The Minnesota Council on Economic Education (MCEE) produces both one day and multi day workshops for educators, all over the state. In 05-06 they trained over 600 teachers in 26 different districts covering 48% of Minnesota school districts. Jo Prouty, administrative coordinator of the MCEE, stated in a telephone interview that it takes about \$5000 to train 30 teachers or about \$166 per teacher in her program. Her

---

<sup>7</sup> [www.ncee.net](http://www.ncee.net))

recommendation was to ask the financial service providers for the training funds. One significant funder has been Wells Fargo Bank. The MCEE has been successful in obtaining funds from the private sector, as well as receiving a grant from the NCEE in 2001.

One learning experience Ms. Prouty passed along was that they have stopped doing training during the school week. The districts were running out of professional development funds, partially due to paying for release time, she said, ...so the state shifted to Saturdays. MCEE is located on the campus of the University of Minnesota. They frequently offer continuing education (CE) credits, for a nominal fee.

Ms. Prouty suggested two key words for their success in Minnesota; training and integration. They have been providing training since 2001 and the training is built around integrating financial literacy and personal finance into existing curriculum, as noted previously in this report. As a unique example, their training includes a session called "Using Children's Literature to Teach Economics and Personal Finance." Two book titles used are *If you Give a Mouse a Cookie* by Laura Joffe Numeroff and *The Lorax* by Dr. Seuss [Theodore Geisel]. In the summer of 2008, a workshop will be available to educators using these literature materials. Funds for this workshop will be from the Federal Improving Teacher Quality title of No Child Left Behind.<sup>8</sup>

In 2007 in Minnesota, a bill was introduced to train current teachers as Master Teachers in the area of Economics, so they can train other educators. The MCEE's version of the bill asked for \$200,000 per year to accomplish this task. Although the

---

<sup>8</sup> <http://www.mcee.umn.edu/documents/SP08-news.pdf>

bill did not pass in 2007, it will be resubmitted, perhaps as part of the state department of education budget, rather than as a stand-alone item. The MCEE sees securing sustainable funding as an iterative process and will try again.

### ***Pennsylvania "Your Moneys Best Friend"***

In the State of Pennsylvania, a cartoonish dog named Buck will fetch your financial literacy information for you on the website <http://www.moneysbestfriend.com/>. Pennsylvania has an extensive list of services that it provides to its citizens from Buck, the resource dog, to educational seminars. Annual training for educators is sponsored by the Governor; the Office of Financial Education has a staff and supports the website. The Office of Financial Education is housed in the Pennsylvania Department of Banking and is funded by the assessments, fees, and fines paid by Pennsylvania's regulated financial community. This funding arrangement is similar to the funding distributed by Washington's Department of Financial Institutions for financial literacy programs in Washington State. Pennsylvania has 5 full-time staff, including liaisons to the community, the workplace, and the schools. According to an email from Heather Tyler, the Communications Director for the Banking Department, integration of financial literacy is an ongoing process. "Think of it this way," she wrote, "...A middle school teacher is already teaching percentages, why not use a savings account or credit card statement to calculate interest?"

The state is able to try to promote this idea through regularly available professional development, as Tyler explains: "...Teachers are invited to train at in-

service days and, once a year, the Office of Financial Education joins with the Department of Education to offer Pennsylvania's Governor's Institute on Financial Education, a week long residential program for school district teams". Since the Institute is residential, the days are devoted to lesson plans and integrating Financial Literacy into various subjects with colleagues. In the evening, the teams increase their own financial knowledge. Tyler volunteered further, "Some have asked us why, given the commonwealth's significant commitment to financial education, the state has not implemented a graduation requirement. Frankly, in our state there are 501 school districts, each empowered to set their own curricula and graduation requirements. It was simply impractical to put our eggs in a graduation basket." (Tyler, email communication from 6/19/2007)

### **Role of Government in Promoting and Supporting Financial Literacy**

These examples of state legislation and practice hint at the role that states and even the federal government can play in bolstering the contribution that the public education system can make to this emerging societal need. Current federal reform policy, for example, sets the stage for a consequential governmental role.

Organizations such as the FLPPP, Washington Jump\$tart and its' members, and the Office of the Superintendent of Public Instruction (OSPI), the Community and Technical College Board and the State Board of Education are in a position to collaborate with each other to recommend the best outcomes for students and

ultimately their fellow citizens. States such as Washington are in a position to take policy action that will address this matter far more directly and effectively than in the past.

### ***Federal Government's Role in Financial literacy***

The *No Child Left Behind* legislation has a title that allows funding to be used by the states, if desired, for financial education projects. *Title V, Part A, Section 5131, #11 Innovation Funds* can be used for activities to promote consumer, economic, and personal finance education. These include disseminating information on and encouraging use of, the best practices for teaching the basic principles of economics and promoting the concept of achieving financial literacy through the teaching of personal financial management skills (including the basic principles involved with earning, spending, saving, and investing). The U.S. Treasury Office of Financial Institutions through its' Financial Education Office, has worked with the Department of Education to develop this connection.

These Innovation funds are distributed to the states, which then determine how best to use these funds. There are obviously many choices. According to an email communication from Barbara Quick of OSPI, the top three uses in 2007 in WA for NCLB Innovation Funds are:

*#1 Library, media, and computer related activities.*

*#2 Professional development in the core curriculum areas.*

*#3 Support for the highly capable (gifted) program, or struggling student in the form of additional materials, training for staff or additional staff support.*

Thus, at present, these innovation funds have not been tapped to any great degree for the purpose of promoting financial literacy, but they might represent a potential resource for this purpose. As stated previously, Minnesota has chosen to use a portion of the Improving Teacher Quality NCLB title (Title II) for teacher training in financial literacy. In addition to providing potential funding for financial literacy, the federal government can also be a source of useful data and a strategic idea source.

The National Assessment of Educational Progress (NAEP), for example, is positioning itself to track financially related educational matters. According to the NAEP economics framework developed by the National Assessment Governing Board, economic literacy is defined as the ability to identify, analyze, and evaluate the consequences of individual decisions and public policy. The first NAEP economics assessment was administered throughout the country to students in grade 12 from January to March 2006.<sup>9</sup>

The U.S. Treasury Office of Financial Institutions is also taking a particular interest in the educational dimensions of financial literacy. This office, now five years old, coordinates the Financial Literacy Education Commission, which is composed of 20 federal agencies and is chaired by the Secretary of the Treasury; the Commission was

---

<sup>9</sup> [http://nationsreportcard.gov/economics\\_2006/](http://nationsreportcard.gov/economics_2006/)

created by the Fair and Accurate Credit Transactions (FACT) Act of 2003 and charged with improving the level of financial education in the United States. Many of us know the FACT legislation on a more personal level as the act allowing and encouraging citizens to obtain multiple free copies of one's credit report each year.<sup>10</sup>

In addition, this Commission released a white paper, called *Taking Ownership of the Future: the National Strategy for Financial Literacy* in April 2006. According to their website, "the national strategy, covering 13 areas of financial education and containing 32 calls to action, is a comprehensive blueprint for improving financial literacy in America through public-private partnerships."<sup>11</sup> Many people may be surprised that there is a national strategy around financial literacy!

Dan Iannicola, Jr., the Deputy Assistant Secretary for Financial Education, has testified about both the issue of mandating financial literacy education and whether the subject should be taught as a separate class or integrated into other subjects. At a Congressional hearing in October of 2003, Mr. Iannicola gave his perspective; "Speaking as a former school board president, I can tell you that a federal demand for a new stand-alone class is a demand that few school districts could easily meet," said Iannicola:

"While some of these concerns from the state and local level may seem mundane in the face of a national financial literacy problem, we should nevertheless listen closely to these local issues. My experience

---

<sup>10</sup> [www.annualcreditreport.com](http://www.annualcreditreport.com))

<sup>11</sup> [www.MyMoney.gov](http://www.MyMoney.gov))

tells me that local educators are frequently aware of critical details that distant policy makers sometimes overlook.”

While this sentiment is not unfamiliar to those same ‘local policymakers’, four years later, there are 7 states that require Personal Finance as a graduation requirement; and 9 states that have mandated the teaching of Personal Finance in school. There are also 17 states which require students to take an Economics course in order to graduate, although only 22 states require the testing of student knowledge in economics (Survey of the States, June 2007, page 1). In addition, the Jump\$tart Coalition national site has a map of the country, which also indicates at a glance the status of financial literacy education today.<sup>12</sup>

### ***Emerging Role for Government in Washington State***

Whatever the national strategy and federal-level resources, states are still the locus of leadership and action to promote financial literacy. Washington State has the potential to create a significant policy initiative for improving financial literacy in the state. First of all, a number of state-level agencies and actors are supportive. In addition to the FLPPP, several other agencies in Washington State are interested in, supportive of, and able to provide funding for financial literacy knowledge acquisition and behavior changes within the state. These agencies include the Office of the Superintendent of Public Instruction (OSPI); The Office of Community, Trade, and Economic Development (CTED); the Department of Financial Institutions (DFI);

---

<sup>12</sup> [http://www.jumpstart.org/state\\_legislation/index.cfm](http://www.jumpstart.org/state_legislation/index.cfm)

*WorkFirst*; and the Attorney General's office. Our current Governor also supports additional knowledge and investment in this area (See 2005, 2007, 2008 Proclamations in Appendix).

Given this array of potential players, a strategy must still be found that is politically viable, appealing to most or all constituents, potentially impactful at the ground level and affordable, given numerous other demands on state resources. So the fundamental question has yet to be answered: where can the most effect be made for the fewest dollars? In other words, where can we find the right entry point for creating sustainable behavior changes based on financial education and knowledge?

### **Washington State: Recent Activities**

Washington State has the opportunity to go forward with another level of planning during the next biennium, now that the FLPPP's existence has been extended through June 30, 2009. The initial charge of the FLPPP, to define financial literacy, evaluate curriculum, align a set of national standards to our Essential Academic Learning Requirements (EALR's) and Grade Level Expectations (GLE's) has begun. For example, the Mathematics staff at OSPI has evaluated the national standards set by the Jump\$tart Coalition to check for alignment with the EALRs and the GLEs for Math. One GLE has been established in the 7<sup>th</sup> grade for financial literacy under Social Studies/Economics.<sup>13</sup>

---

<sup>13</sup> <http://www.k12.wa.us/CurriculumInstruct/SocStudies/pubdocs/SocialStudiesGLEs.pdf> page 24 of 92

When standards are chosen, then there is a benchmark with which to evaluate the various curricula. Washington State has made the decision not to put itself in the position of choosing “the best financial education curriculum”, according to FLPPP chair Rep. Santos. Many quality products exist in the marketplace and this would go against the states’ long standing tradition of local control. When asked, Rep. Santos offered that the state (in the form of the FLPPP) would be willing to provide a list of curricula and how they match up to state standards. A draft template has been written to begin this process. <sup>14</sup>

In view of where other states are placing their funding dollars, Washington might consider training additional teachers beyond those who have already been exposed via the professional development sponsored by OSPI and FLPPP members. The purpose of this training is to extend the desired knowledge and skills out to a wider audience. In the spring of 2007, 130 teachers received training under the auspices of the FLPPP. This training was sponsored by the FLPPP and provided by the Washington were the National Council on Economic Education and Junior Achievement. The results of the trainings, called “Real World 101” were shared at a spring 2007 FLPPP meeting. Key highlights were that participants gave the materials/curriculum high marks (4.79 out of a possible 5); the trainings were oversubscribed by 20%; and within 3 months of the training, 76% of the participants had begun to use the materials. According to the presenters, Melanie Hess of Junior Achievement and Pamela Whalley of the Washington Council on Economic Education

---

<sup>14</sup> [http://www.dfi.wa.gov/FLPPP/pdf/executive/march\\_10/draft\\_curriculum.pdf](http://www.dfi.wa.gov/FLPPP/pdf/executive/march_10/draft_curriculum.pdf)

(WCEE), the “primary complaint about the workshops was that they were too short” (Report to FLPPP, page 6).

Comprehensive data exists for these three training sessions; albeit only at the educator level. The survey, conducted with the participants three months after training yielded some output information. The data shows that two other goals were met: (a) the teachers became more comfortable with personal finance educational materials in general, and (b) a majority agreed with the statement “It is easy for me to integrate personal finance into my classes” (Report to FLPPP, page 6). This means that the material used allows or helps educators to include the curriculum into existing classes. This could imply for policymakers the viability of stressing integration rather than separate classes going forward.

One result of note is that while educators had a positive response to the statement “It is important that my students understand personal finance” (3.86 out of a possible 5); the number did not change materially after the workshop. The good news is that despite coming from subject areas as varied as Business, various Special Education classes, Social Studies, Senior Life Skills, Family and Consumer Science, Communications, Humanities, Mathematics and Language Arts, the educators that attended were very positive about how the material could be adapted to fit into their classrooms. Perhaps the next wave of training will attract the educators who are more skeptical about the need for this type of education for our Washington citizens.

To be sure, this kind of training arrangement does not yet represent a comprehensive solution to the need to integrate financial literacy into the states’

school programs. The number of participants in FLPPP trainings (130) is a small percentage of Washington's teachers; however, that number does not count training that occurred at each of three OSPI Summer Institute locations in summer 2006; three sessions sponsored by the Washington Jump\$tart Coalition in the fall of 2006 and other workshops put on by Pamela Whalley, previously identified. For several years previous, the Washington Jump\$tart Coalition sponsored teacher training focused particularly on Family and Consumer Science educators.

These steps indicate that the state is on its way to ongoing professional development, but is currently operating without a central plan for funding it or a strategic plan for implementation. This may continue to be the case; however the FLPPP may wish to consider the pace of professional development and the potential impact of increasing the knowledge base of educators in certain selected subjects. For example, these subjects may include Social Studies, stand-alone Economics classes, Family and Consumer Science, Academy of Finance programs, Mathematics, and Life Skills.

Rep. Santos of the FLPPP, in an interview, stated that keeping professional development as an ongoing component was a priority. She asked what seems to be on everyone's mind, "Where is the best place for us to start?" In addition to that question, I would add a companion question: how to fund and create a sustainable program of integrating financial education into the public schools?

### **What Might Washington's Next Steps Be?**

This leads us to a list of options that Washington might consider as the FLPPP and others move ahead in the 2007-2009 biennium. Learning from other states, the categories of decisions might include the following: attracting partners and building partnerships; framing legislation; focusing on training and integration; setting goals for what students should know and be able to do.

(1) *Attracting partners and building partnerships.* Let us begin with partners. The FLPPP includes representatives from state government, the private sector, and educators. An assessment could be made as to whether additional partners might be advisable and what they would provide. For example, could more educators and administrators be included? In the private sector, the FLPPP membership has good representation from providers of financial education and literacy materials.

Could additional membership categories be added to the statutory members of the FLPPP or encouraged to join either FLPPP or Jump\$tart in order to provide tangible and intangible support for legislative allocations in future legislative sessions? What about student representation and/or input? What about the role of parents? In the research discovered for this project, there were very few references to the role of parents, except as those who were operating with a lack of knowledge and might also need additional financial literacy information. Many policymakers look to the public schools to remedy the deficits (perceived or real) in the family home. There are real public benefits to doing this, though in a state with limited resources, this solution can easily be challenged as "too expensive". [For an analysis of some of the future public goods derived from increased education, please see "Social Returns to Human Capital"

and other work by Enrico Moretti of UC Berkeley.]<sup>15</sup> This is where legislation can be written to provide incentives, rather than mandates to change the behavior of educators, parents or the business community. Other institutions, such as the Washington Asset Building Coalition, Career and Technical Education (CTE) organizations, parent-teacher groups such as the PTA, United Ways across the state and organizations such as Solid Ground (formerly the Fremont Public Association) could be helpful partners for extending this content and policy “reach” beyond the public schools.

A recent addition to this arena is the Washington Financial Literacy Work Group. This working group was “created in Governor-sponsored legislation to assess financial literacy in Washington State...presented in Senate Bill 6272 Chapter 3, Laws of 2008,... signed by Governor Gregoire on February 11, 2008.”<sup>16</sup> This group is charged with expanding financial literacy through education and counseling to promote homeownership security, but their mission is much broader. The mission is to “Define the status of financial literacy in Washington State and determine what action is necessary to increase financial literacy at all age levels.”<sup>17</sup>

(2) *Framing legislation.* In Washington, there are several possibilities ahead for legislation. One bill might be modeled after Minnesota’s initiative to train the trainers by providing funding to train ‘Master Teachers’. This may have limited appeal in this

---

<sup>15</sup> <http://www.nber.org/reporter/spring05/moretti.html>

<sup>16</sup> <http://dfi.wa.gov/work-group/>

<sup>17</sup> <http://dfi.wa.gov/work-group/>

state, due to the other conversations going on around education finance, skills, subject and merit based pay. However, it could be integrated into the education finance commission report and new graduation requirements being acted upon during the latter half of 2008. The introduction of legislation around a mandate for a course or assessment in either personal finance, economics or financial literacy appeals to some stakeholders but requires additional clarification for legislators as to what the desired outcomes would be. As a first step, using existing funds, the legislature could encourage or direct OSPI to use certain titles of NCLB differently.

(3) *Focusing on training and integration.* Integration of the subject or infusion across many subjects may be a smoother way to proceed in the next biennium, in particular. There are other states using this model - also endorsed by the Financial Literacy Commission at the federal level.<sup>18</sup> One might conclude that a mandate is possible, but clear expectations need to go with it for what students will be expected to know and do differently as a result, both now and ten years from now. Resources would also need to be set aside on an ongoing basis, or for at least two biennia as a pilot period to implement, monitor and evaluate the mandate across the K-12 population. (Two biennia is also equal to four years of high school).

Before the passage of Governor-requested legislation (SB 6272) and the elevation of this issue to the executive level; significant resource allocation to this issue was probably unrealistic.

---

<sup>18</sup> <http://www.mymoney.gov/pdfs/ownership.pdf>

Minnesota and Pennsylvania have models for this integration strategy, as do other states such as, Louisiana, and Mississippi, Ohio, and Wisconsin. Oklahoma will also bear watching, as they implement their law from 2007.<sup>19</sup> They ended up outside of the scope of this report. Lesson plans in literature, mathematics and economics to integrate examples from personal finance and economics already exist and some even meet or include national standards. Through trainings that have already taken place in Washington and detailed previously, there is widespread support within this pool of educators for integration, once they have a chance to try it.

(4) *Setting goals for what students should know and be able to do.* Setting objective standards for what students should know and be able to do is not new in Washington State. National standards do exist for economics and personal finance. The results of the NAEP assessment on economics released in the fall of 2007 may assist in answering some questions about the best way to go forward. This will be an important assessment due to its' sample size of students (11,900) currently in school. Once those results become widely available, they may also support the next steps that the FLPPP or the Governor's work group chooses to take. Results from approximately 11,000 students in about 600 schools were released in the fall of 2007. Five key findings from the assessment are as follows:

- Boys on average slightly outscored girls.
- White and Asian and Pacific Islander (API) students scored on average, higher than other ethnic groups.

---

<sup>19</sup> [http://www.jumpstart.org/state\\_legislation/index.cfm?stnm=Oklahoma#stateinfo](http://www.jumpstart.org/state_legislation/index.cfm?stnm=Oklahoma#stateinfo)

- Students from large city schools had lower average scores than students in other locations.
- Students whose parents had higher levels of education exhibited higher performance in economics.
- Most students study some economics in high school.

While several of these conclusions mirror results seen on other large-scale assessments in terms of students' economic status; it remains to be seen how these data will be used in the future. What amount of exposure to "the dismal science" is enough in these "subprime" times?

In conclusion, there are three things to keep in mind about financial education in the state of Washington: 1) For the people who desire a mandate, a requirement to include it in our young citizen's education can be inferred from the Basic Education Act, 2) Research exists that can substantiate the need for current tools, ongoing training and integrated curriculum, not just information and "drive-by" seminars and 3) the increased complexity in the financial world coupled with the gradual, nearly secretive transfer of investment risk to individuals [and its' unanticipated consequences] in the last 40 years illustrates the need to teach Washingtonians to make the most of the education, resources and monetary assets they have.

Above all, we must act; we must go beyond dialogue about this important and heretofore overlooked feature of our state's attempts to prepare the next generation for the economic challenges they will face. A unified coalition must provide information and recommendations on policy, training and fiscal goals to the 2009 Legislature. If our students [and others] receive additional financial education, it will

yield valuable, long-term benefits for our state; if we don't act now and coordinate our efforts to provide curriculum, instruction and training for financial education in these difficult economic times, there will be private and public costs to bear for all of us, not just Washington's million-plus students in the public schools.

## References

- Berkowitz, E, & Burton, J (2005). Burying College Grads in Debt. *WiretapMag*, Retrieved 5/30/2007, from <http://www.wiretapmag.org/stories/28641>.
- Bernheim, B, Garrett, D, & Maki, D (2001). Education and saving: The long-term effects of high school financial curriculum mandates. *Journal of Public Economics*. 80, 435-465.
- Duguay, D (May 2006). The asset test: should financial education form part of standard school curricula, alongside history or mathematics? *OECD Publications*, Retrieved 5/26/2007, from [http://find.galegroup.com/itx/infomark.do?&contentSet=IAC-Documents&type=retrieve&tabID=ITOF&docId=A149023616&source=gale&userGroupName=spl\\_main&version=1.0](http://find.galegroup.com/itx/infomark.do?&contentSet=IAC-Documents&type=retrieve&tabID=ITOF&docId=A149023616&source=gale&userGroupName=spl_main&version=1.0)
- Hilgert, M, Hogarth, J, & Beverly, S (2003). Household Financial Management. *Federal Reserve Bulletin*. July, Pp 309-322.
- Lee, Shelley (2005). Voice: an interview with retiring NEFE CEO William Anthes. *Journal of Financial Planning*. 18, November p. 10-16
- Lusardi, A, & Mitchell, O (2007). Financial literacy and retirement-preparedness: evidence and implications for financial education; the problems are serious and remedies are not simple. *Business Economics*, 42, Retrieved June 4, 2007, from <http://find.galegroup.com/itx/infomark.do?&contentSet=IAC-Documents&type=retriev>.
- Annamaria Lusardi is Professor of Economics at Dartmouth College and Visiting Scholar at Harvard Business School. Olivia S. Mitchell is the International Foundation of Employee Benefit Plans Professor of Risk Management and the Executive Director of the Pension Research Council at the Wharton School of the University of Pennsylvania.
- Mandell, L (2005). Financial literacy: does it matter? *Unpublished report*.

Mandell, L (April 2006). Financial literacy: if it's so important, why isn't it improving? *Networks Financial Institute at Indiana State University Policy Brief*, Retrieved June 17, 2007,

Marples, G The History of Credit Cards – It All Started In The 18th Century. Retrieved May 28, 2007, from The history of stuff explained in simple terms Web site

Mead, N., and Sandene, B. (2007). *The Nation's Report Card: Economics 2006* (NCES 2007–475). National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education, Washington, D.C. Retrieved April 25 and May 25, 2008

<http://www.thehistoryof.net/history-of-credit-cards.html>

Minnesota Council on Economic Education

<http://www.mcee.umn.edu/>

<http://www.mcee.umn.edu/documents/05-06Highlights.pdf>

Retrieved 5-24-07

<http://www.k12.wa.us/CurriculumInstruct/SocStudies/pubdocs/SocialStudiesGLEs.pdf>  
page 24 of 92 retrieved April 24, 2008

NCEE, Survey (March 2005). Economic and personal finance education in our nations schools in 2004. *Survey of the States*, Retrieved 05/26/2007, from <http://www.ncee.net/about/survey2004>

NCEE, A Report Card (June 2007). Economic and personal finance education in our nation's schools in 2007. Draft Survey retrieved 6/14/2007 from <http://www.ncee.net/about/survey2007/NCEESurvey2007.pdf>

About NCEE. Retrieved June 18, 2007, from Who We Are Web site:  
<http://www.ncee.net/about/>

Retrieved May 28 2007, from PA Office of Financial Education Web site:  
<http://www.moneysbestfriend.com/>

Subcommittee on education reform, (2004). *Financial literacy education: what do students need to know for the future?*

Washington, DC: US Government Printing Office.

## **Interviews**

Nancy Brown, Western Regional Director of the Jump\$tart Coalition 6/14/2007

Jo Prouty of MCEE 5/24/2007

Leslie Lum of Bellevue Community College

Rep. Sharon Tomiko Santos 37<sup>th</sup> District 6/5/2007

Mark Johnson, Financial Literacy Coordinator, FLPPP 6/3/2007 and other dates since 2006

## **Email**

Personal email from Barbara Quick of OSPI, email communication received May 29th, 2007.

Personal email from Heather Tyler, Director of Communications of the Pennsylvania Department of Banking received 6/19/2007

## **Websites**

Websites Accessed for legislation 5/19/2007

Four Washington State Learning Goals: <http://www.k12.wa.us/curriculum/instruct>

[http://www.ncsl.org/programs/banking/FinLiteracy\\_2007.htm](http://www.ncsl.org/programs/banking/FinLiteracy_2007.htm)

<http://webserver1.lsb.state.ok.us/WebBillStatus/main.html>

<http://legis.state.nm.us/lcs/BillFinderNumber.asp?year=07>

<http://janus.state.me.us/legis/LawMakerWeb/summary.asp?ID=280024047>

[http://www.lrc.ky.gov/record/07RS/bills\\_H.htm](http://www.lrc.ky.gov/record/07RS/bills_H.htm)

<http://www.legislature.idaho.gov/sessioninfo/2007/07law.htm>

[http://www.njleg.state.nj.us/2006/Bills/A3500/3024\\_I1.HTM](http://www.njleg.state.nj.us/2006/Bills/A3500/3024_I1.HTM)

<http://www.leg.wa.gov/pub/billinfo/2007-08/Pdf/Bills/House%20Passed%20Legislature/1980-S2.PL.pdf>

[http://www.jumpstart.org/state\\_legislation/index.cfm](http://www.jumpstart.org/state_legislation/index.cfm) retrieved April 27, 2008

[http://www.dfi.wa.gov/consumers/news/2008/work\\_group.htm](http://www.dfi.wa.gov/consumers/news/2008/work_group.htm) retrieved 7-26-2008

<http://dfi.wa.gov/work-group/> retrieved 7-26-2008