

## On High School Level Financial Literacy:

### A Call for Change

by \*Emerson Fleming



## What is 'financial literacy'?

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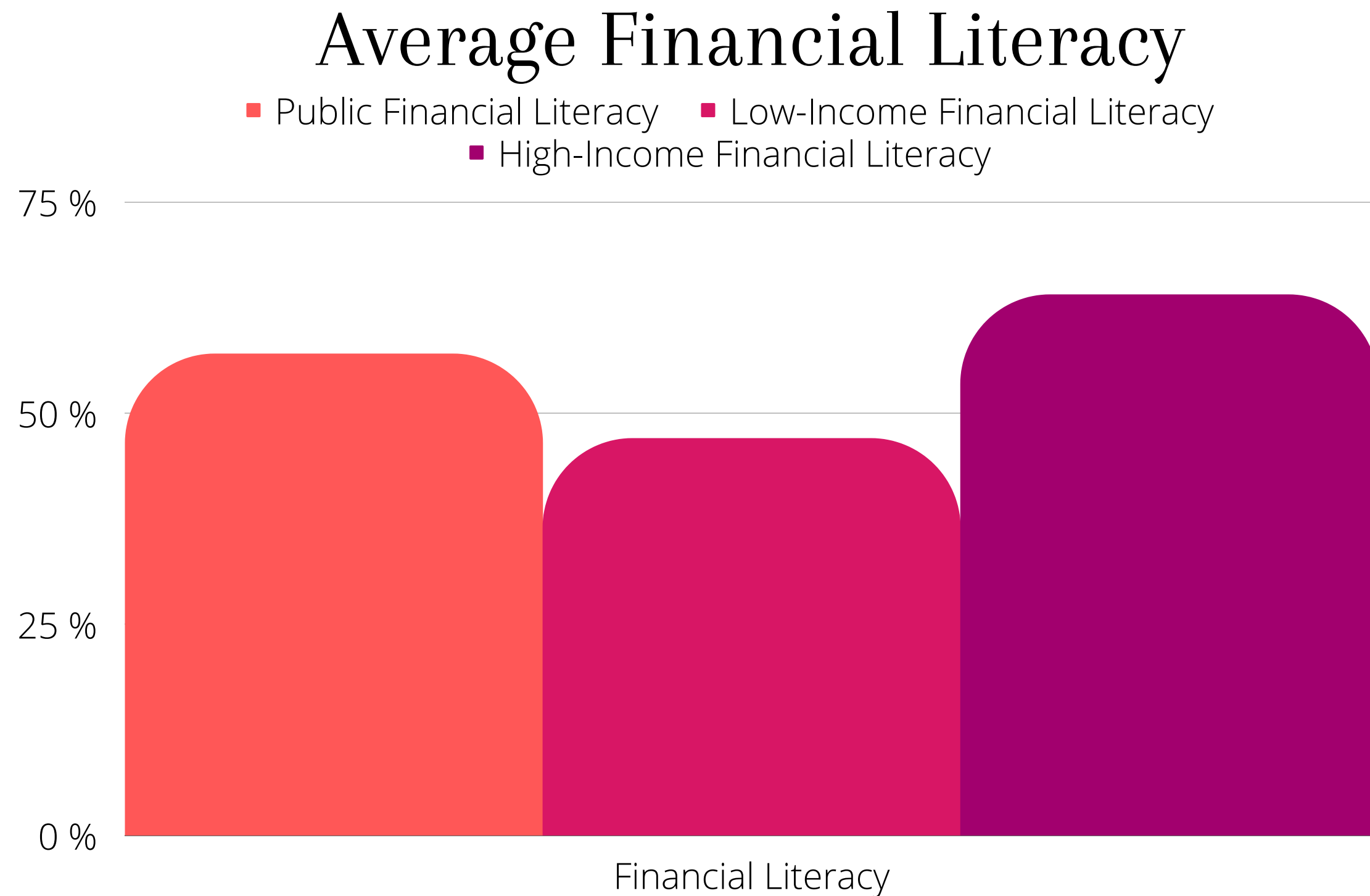
### **Narrow Definition:**

US Financial Literacy Education states “financial literacy describes the skills, knowledge and tools that equip people to make individual financial decisions and actions to attain their goals (Contreras, 4).”

### **Broad Definition:**

Szpringer (2007), defines financial literacy as the “ability to make informed and effective judgments and decisions in using and managing money (Georgiou, 66).”

## Financial literacy levels:



Source: S&P Global Financial Literacy Survey (2014)

## Arguments for Financial Literacy Mandates

\*One study by Education World (2015) found less than half of US high school and college students have a savings plan, and only one fourth of those students stick to a budget. Additionally, one third of the students participating in the study did not keep track of their spending (Georgiou, 41).

\*Ryant (2010) found "even before the economic crisis, statistics showed...70% of American households live paycheck to paycheck (Georgiou, 58)."

\*Managing money is not an innate skill. Lessons on managing money should be a part of formal education (Georgiou, 44).

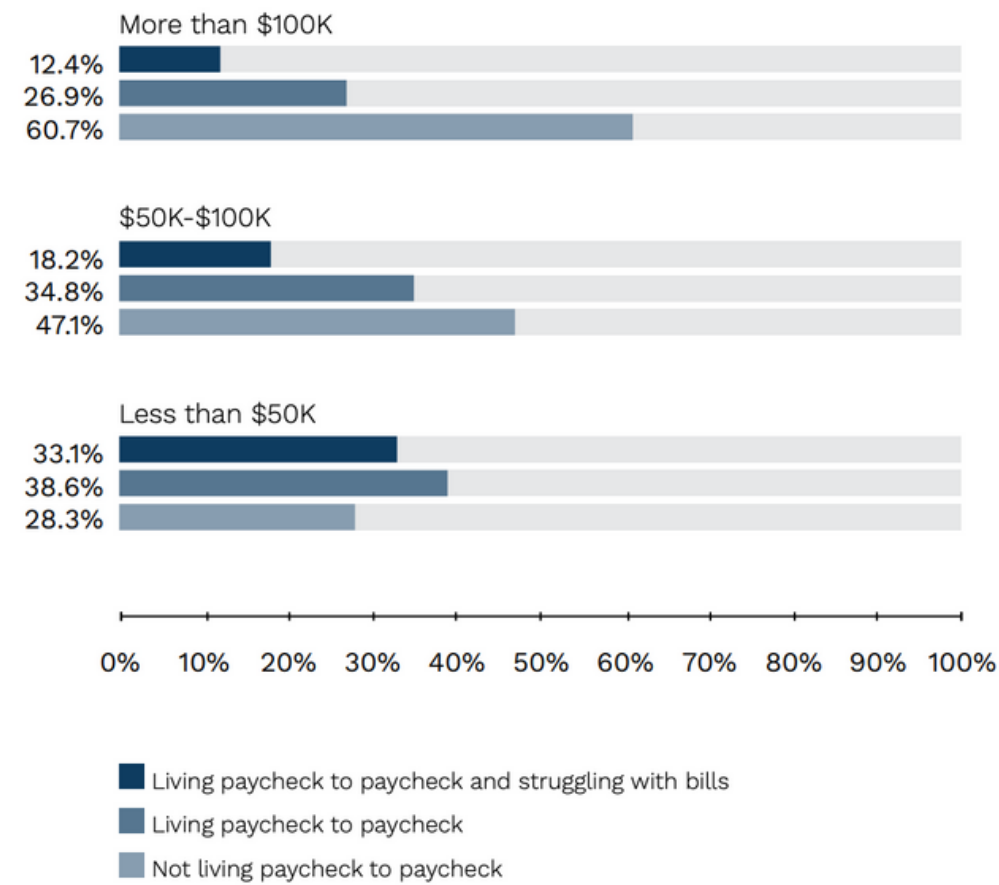
\*The latest available date from the 2018 NFCS confirms the relatively low levels of financial knowledge in the US adult population. Only about 40% of respondents on average were able to give correct answers to 4 of the 6 survey questions designed to measure basic concepts of economics and personal finance (Contreras, 13).

\*Despite the low levels of financial knowledge reported by the study, more than 70% of respondents gave themselves high scores (5 to 7 on a 7-point scale, where 1 is "very low" and 7 is "very high") (Contreras, 13).

## Why is 'financial literacy' important?

### PAYCHECK-TO-PAYCHECK STATUS, BY INCOME

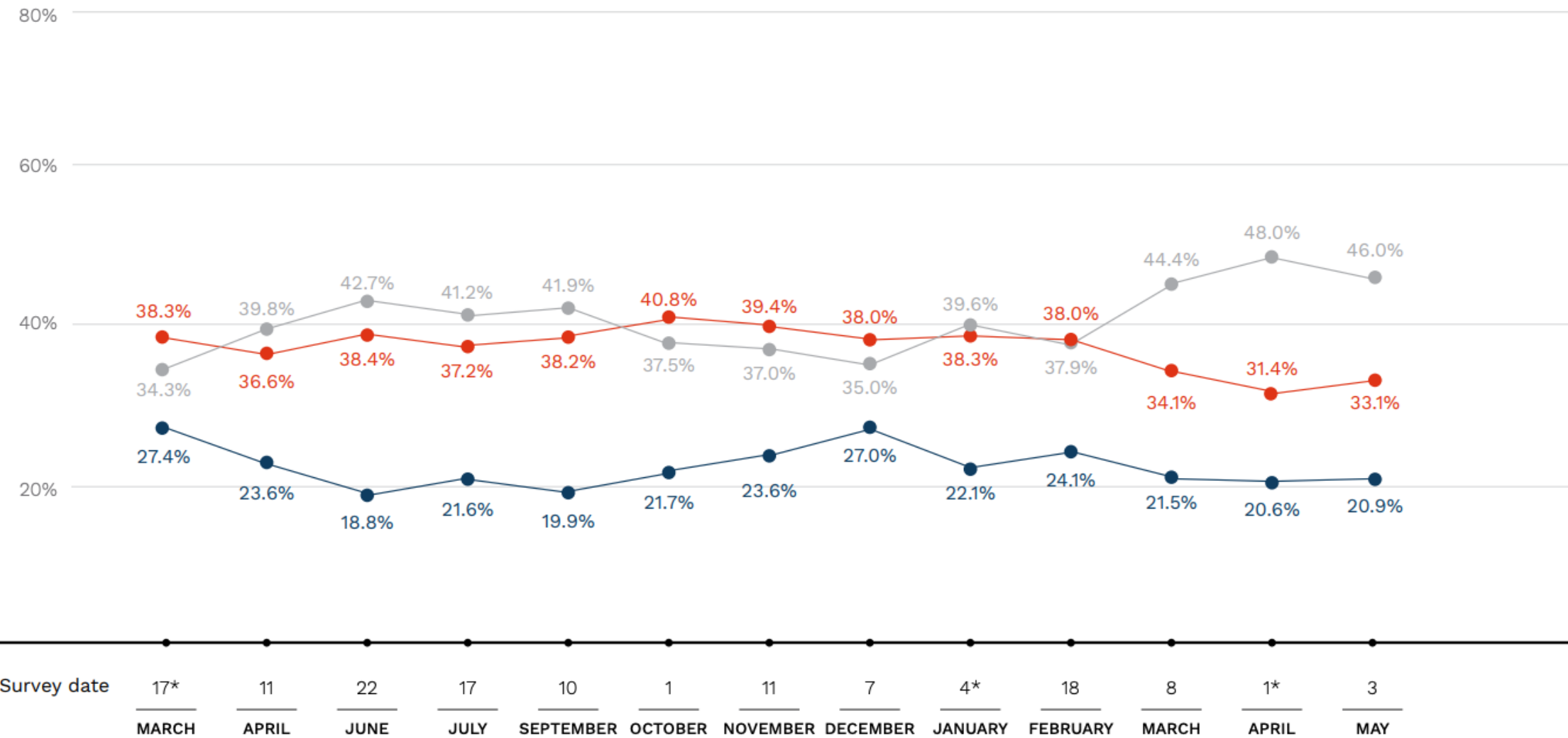
Share of consumers representing each financial persona in select income brackets



Source: PYMNTS | LendingClub Reality Check: The Paycheck-To-Paycheck Report

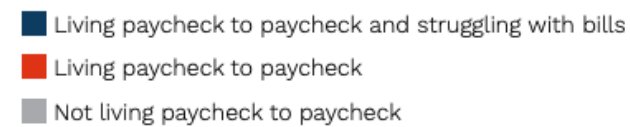
### PAYCHECK-TO-PAYCHECK STATUS OVER TIME

Distribution of paycheck-to-paycheck personas, March 2020 to May 2021



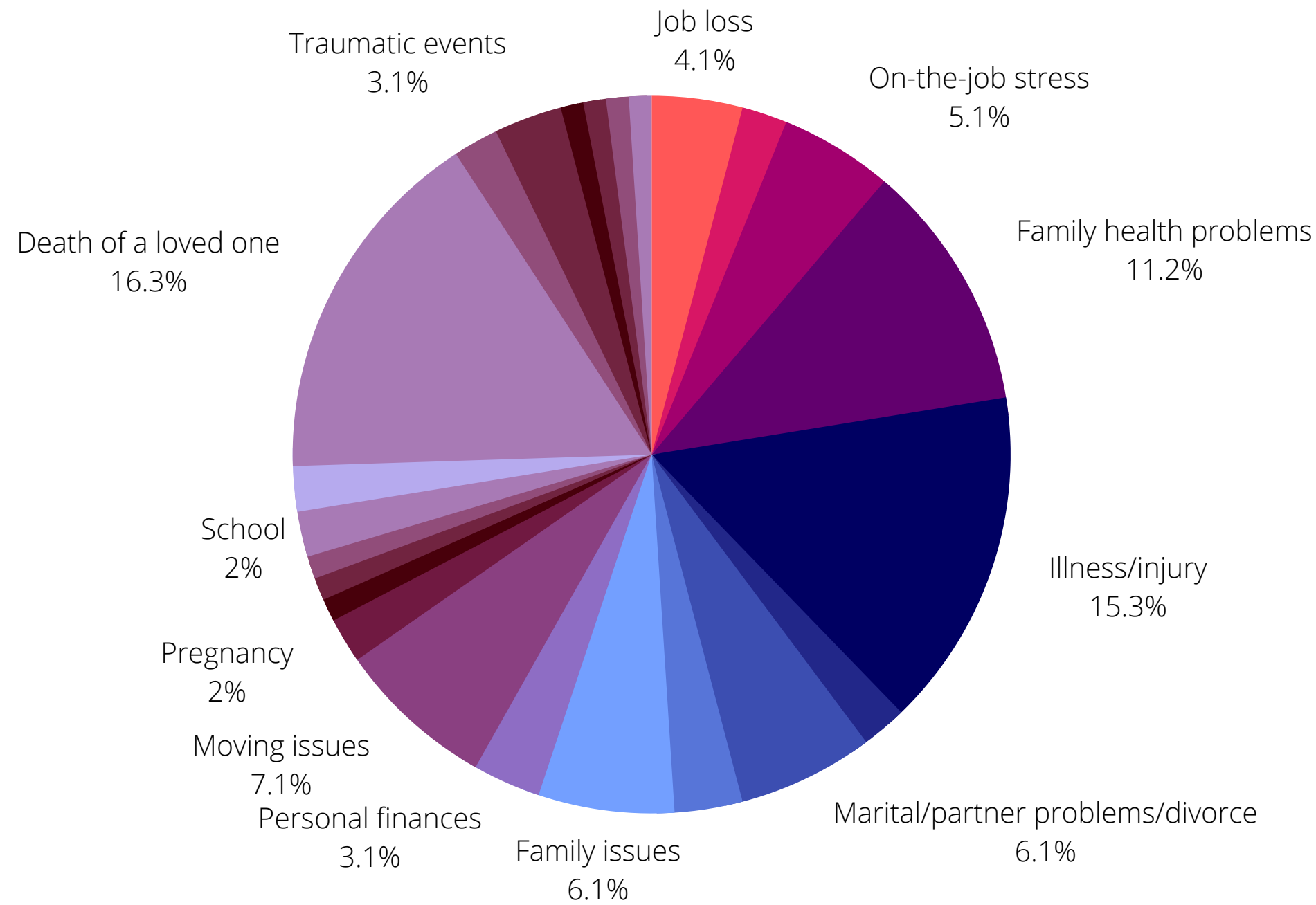
\*Indicates first survey after the release of stimulus checks

Source: PYMNTS | LendingClub Reality Check: The Paycheck-To-Paycheck Report



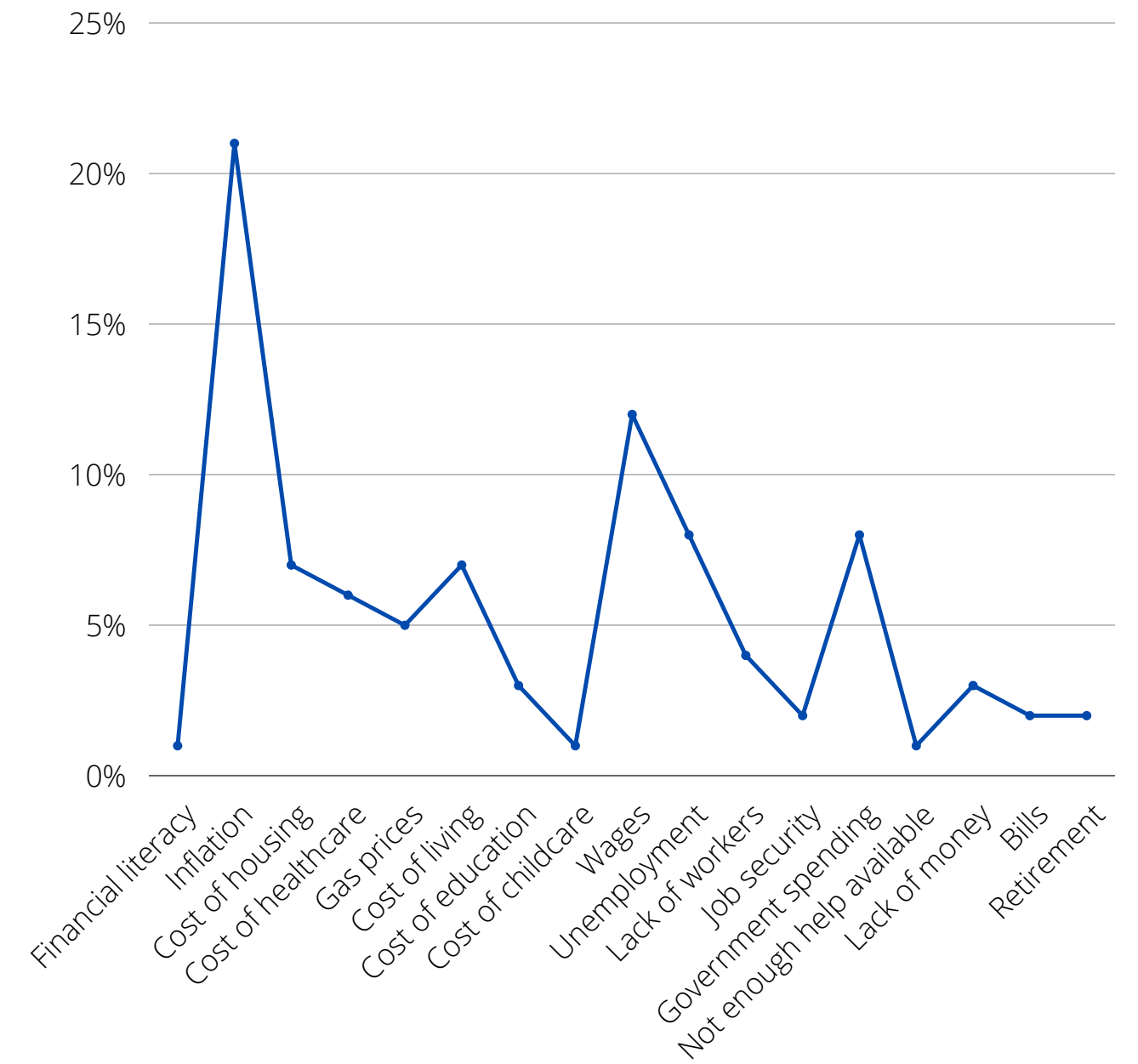
## Issue salience:

### The Burden[s] of Stress in America:



Source: iPoll (SSRS)

### Largest Economic Problem Facing Families Today:



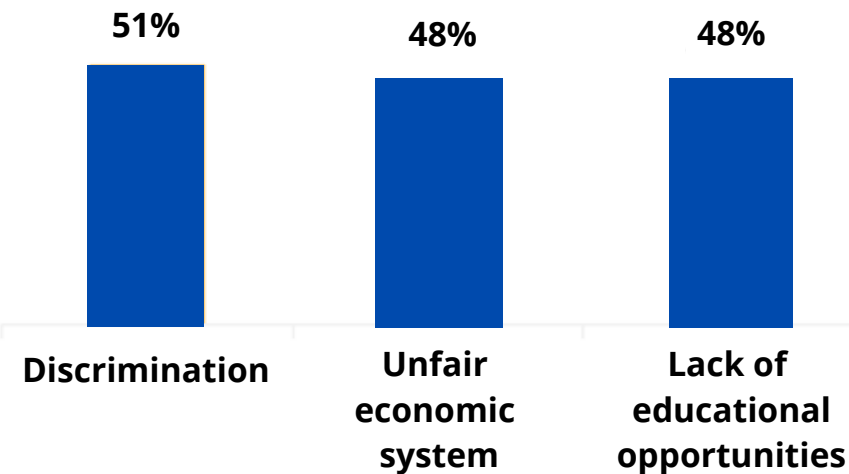
Source: iPoll (SSRS)

## Causes of poverty based on Partisanship:

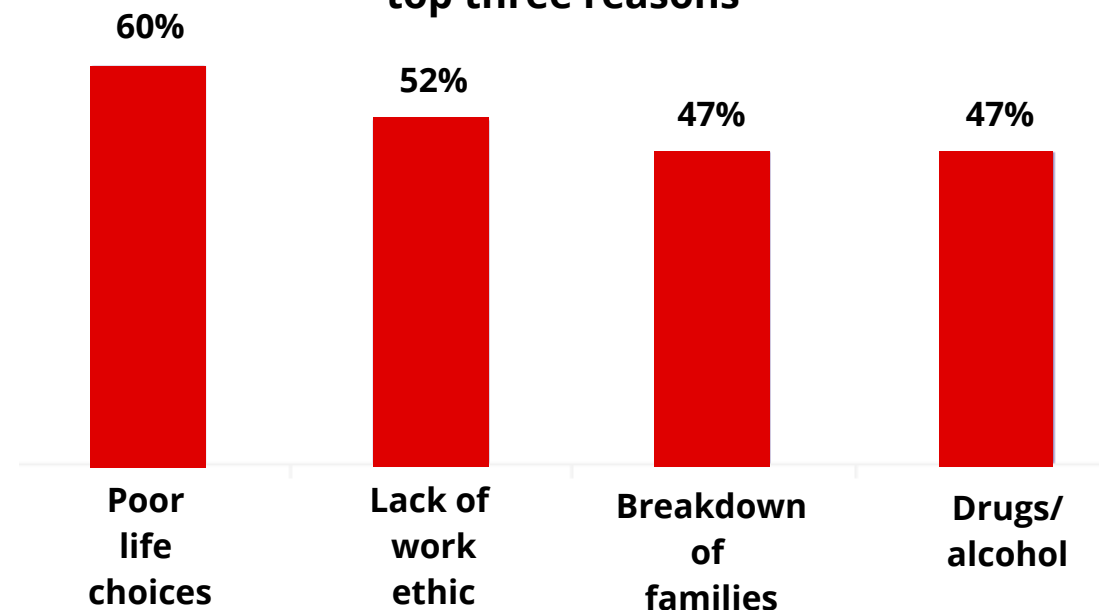
### What causes poverty? Liberals emphasize external forces; conservatives focus on personal agency

Of the following, which three reasons do you think are most responsible for the problem of poverty in this country?

#### Strong Liberal top three reasons



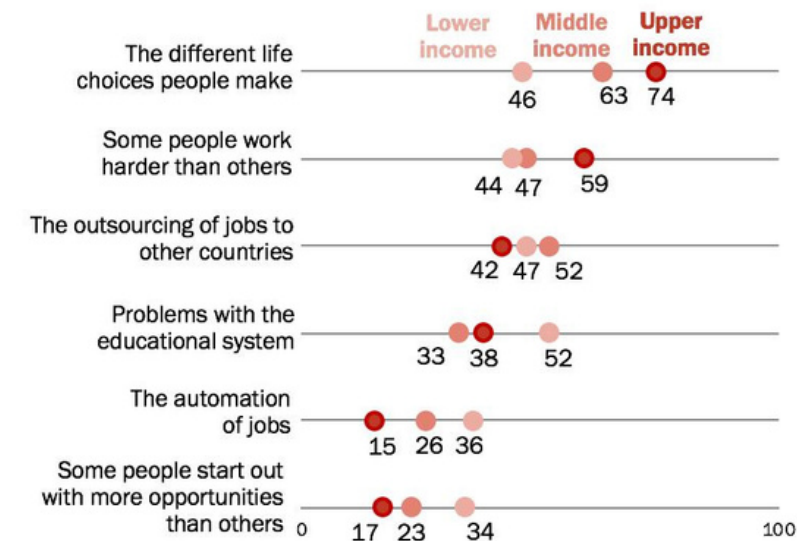
#### Strong Conservative' top three reasons



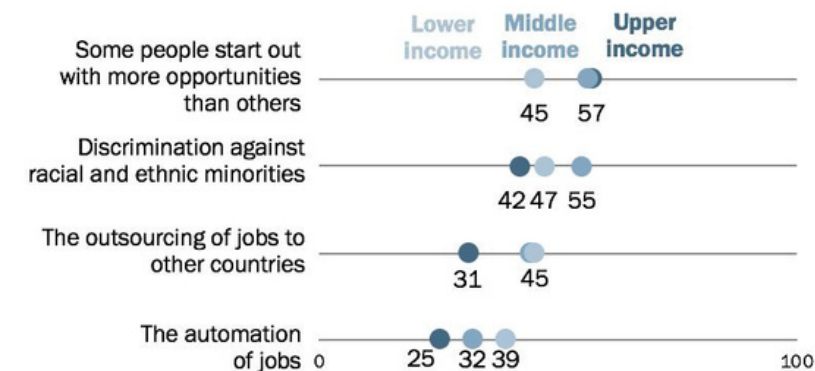
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### Upper-income Republicans are much more likely than those with lower incomes to say people's choices lead to economic inequality

Among **Republicans and Republican leaners** across income tiers, % saying each of the following contributes a great deal to economic inequality in this country



Among **Democrats and Democratic leaners** across income tiers, % saying each of the following contributes a great deal to economic inequality in this country



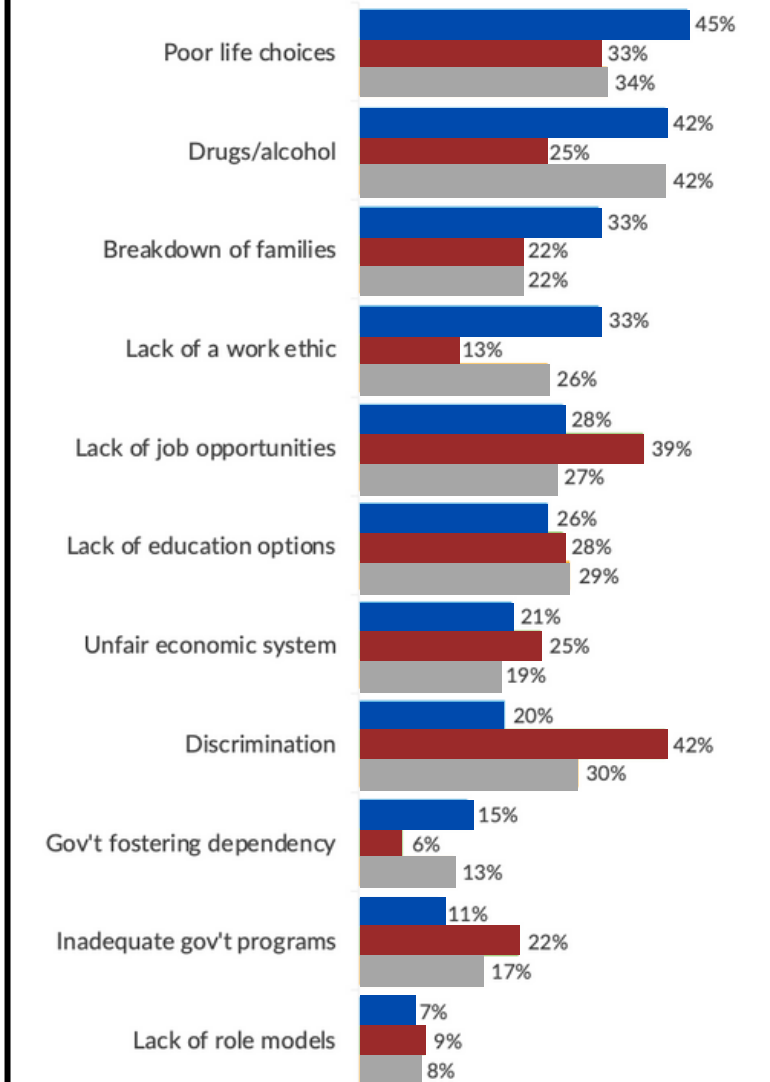
Source: Survey of U.S. adults conducted Sept. 16-29, 2019.  
 "Most Americans Say There Is Too Much Economic Inequality in the U.S., but Fewer Than Half Call It a Top Priority"

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### What White, Black, and Latino Americans believe causes poverty

Of the following, which three reasons do you think are most responsible for the problem of poverty in this country? Select up to 3.

■ White American ■ Black American ■ Latino American

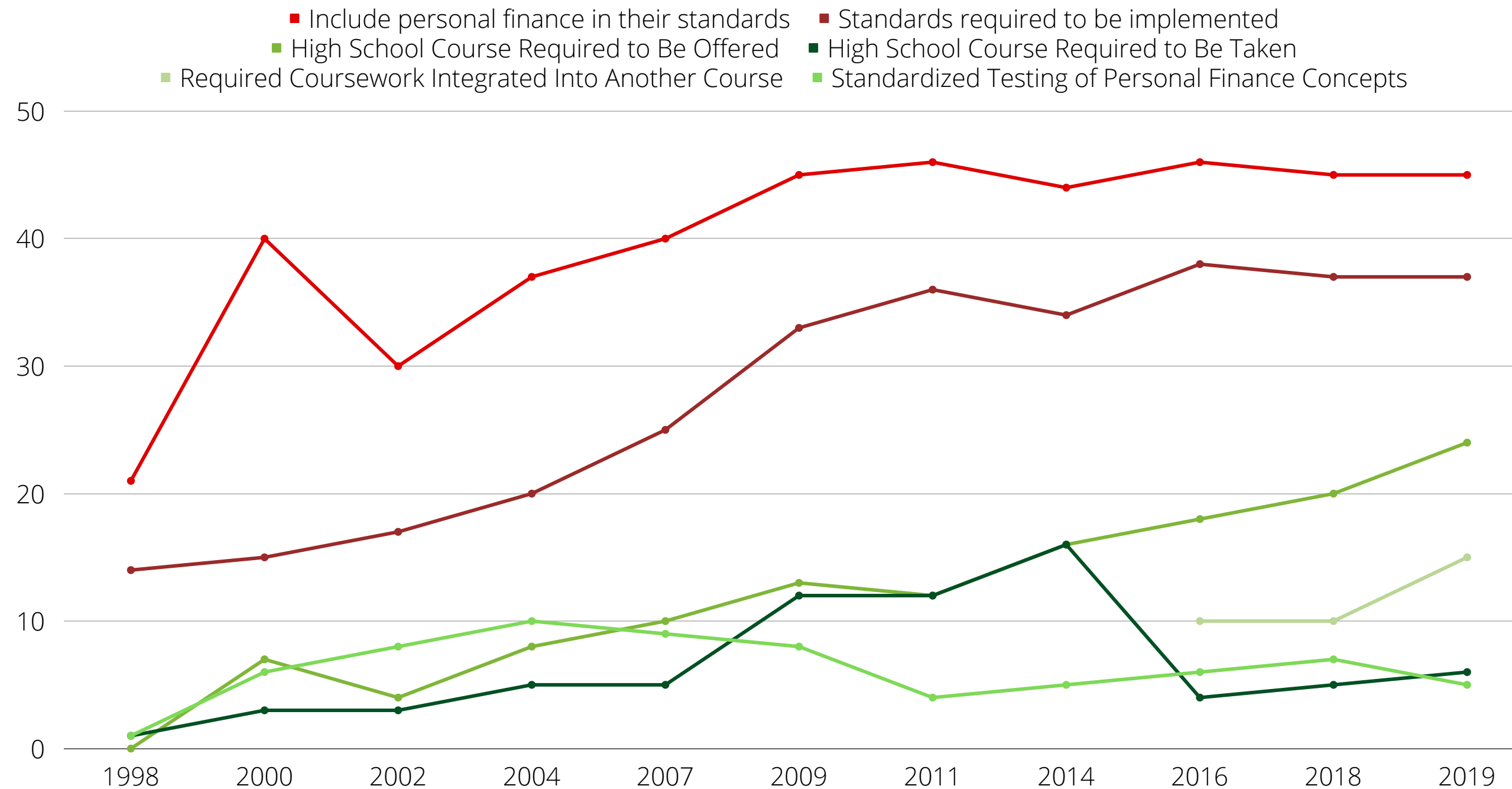


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## Change over time:

### Change in Personal Finance Location Over Time

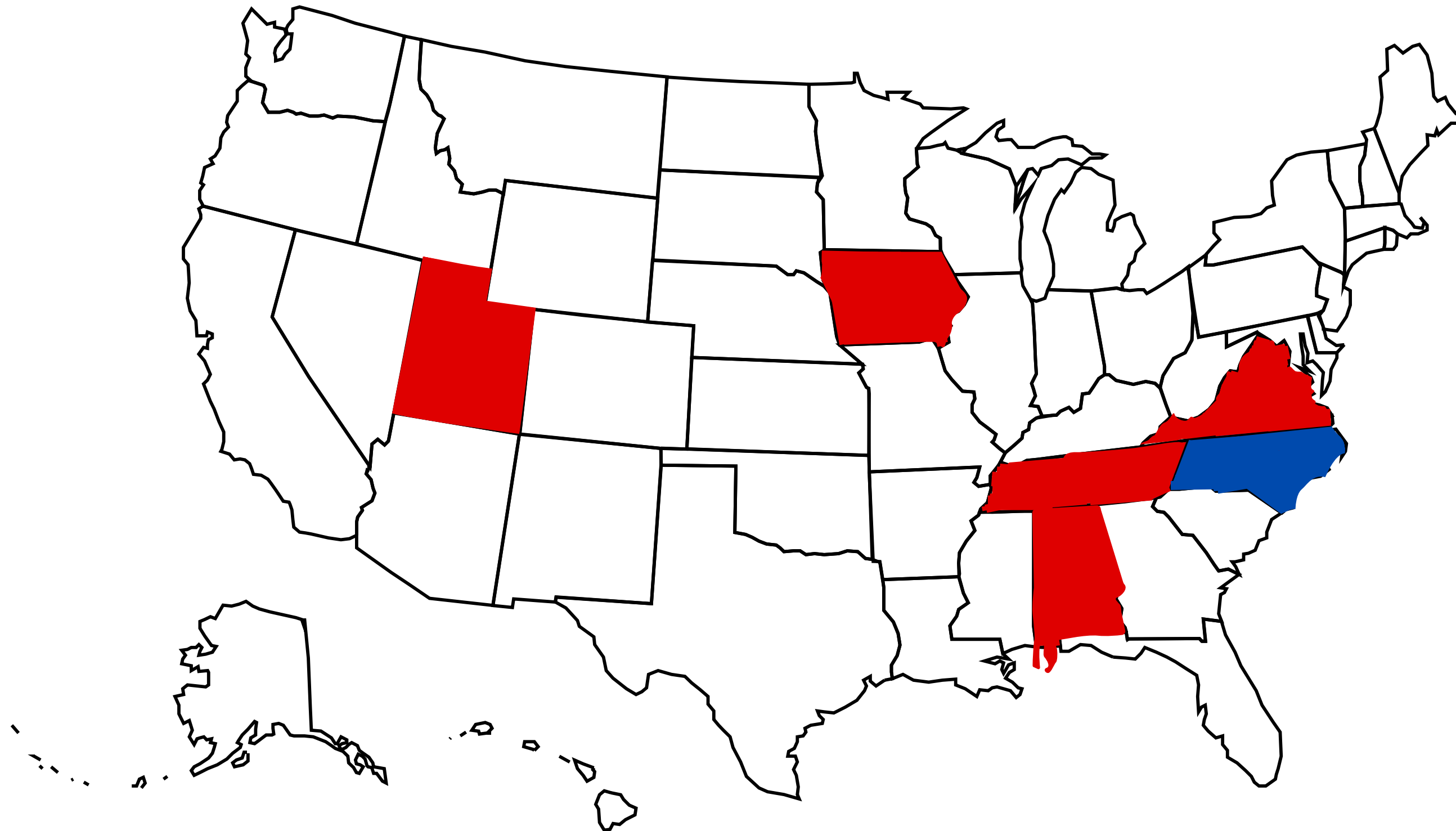


Source: Council for Economic Education



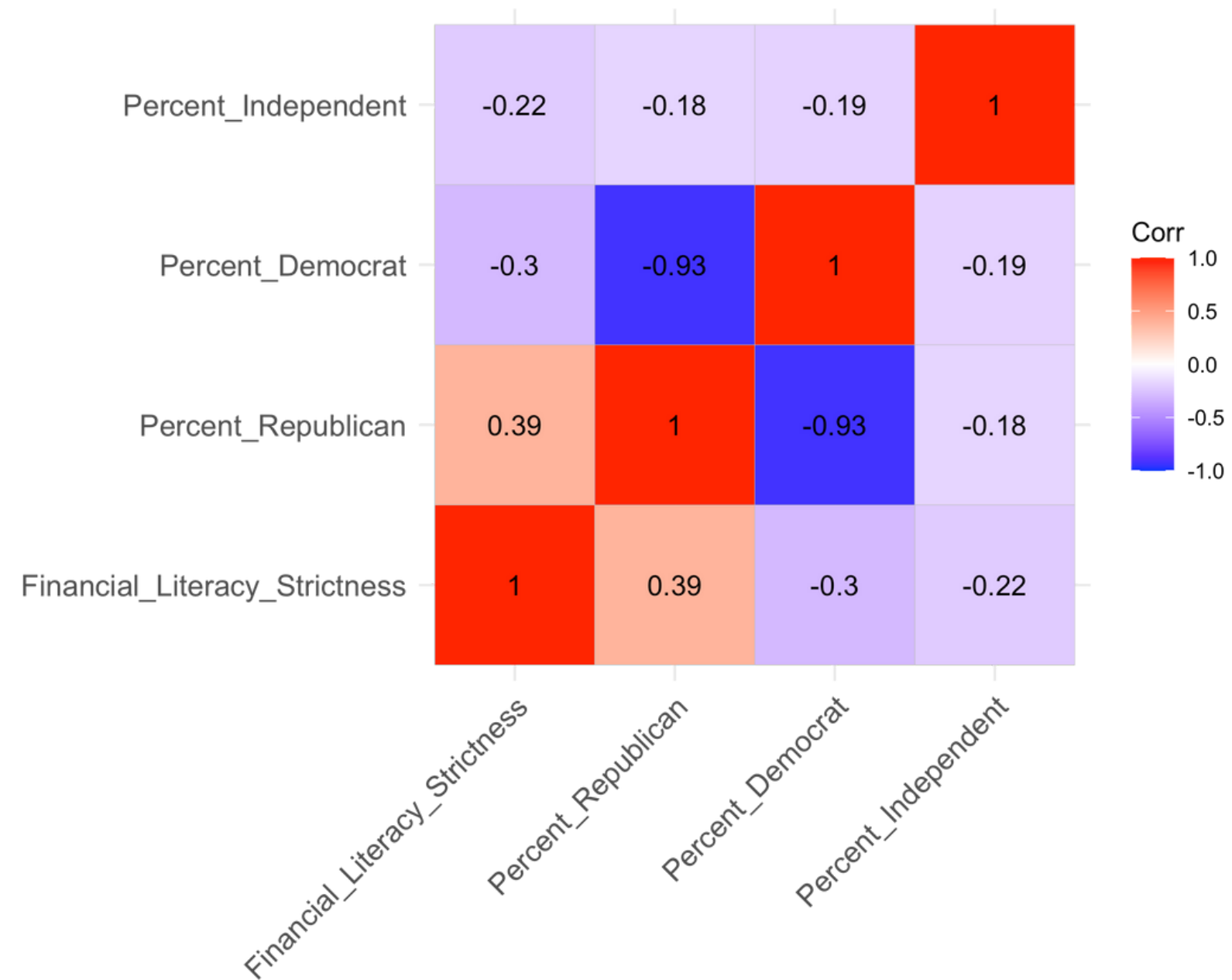
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Financial literacy implementations based on partisanship

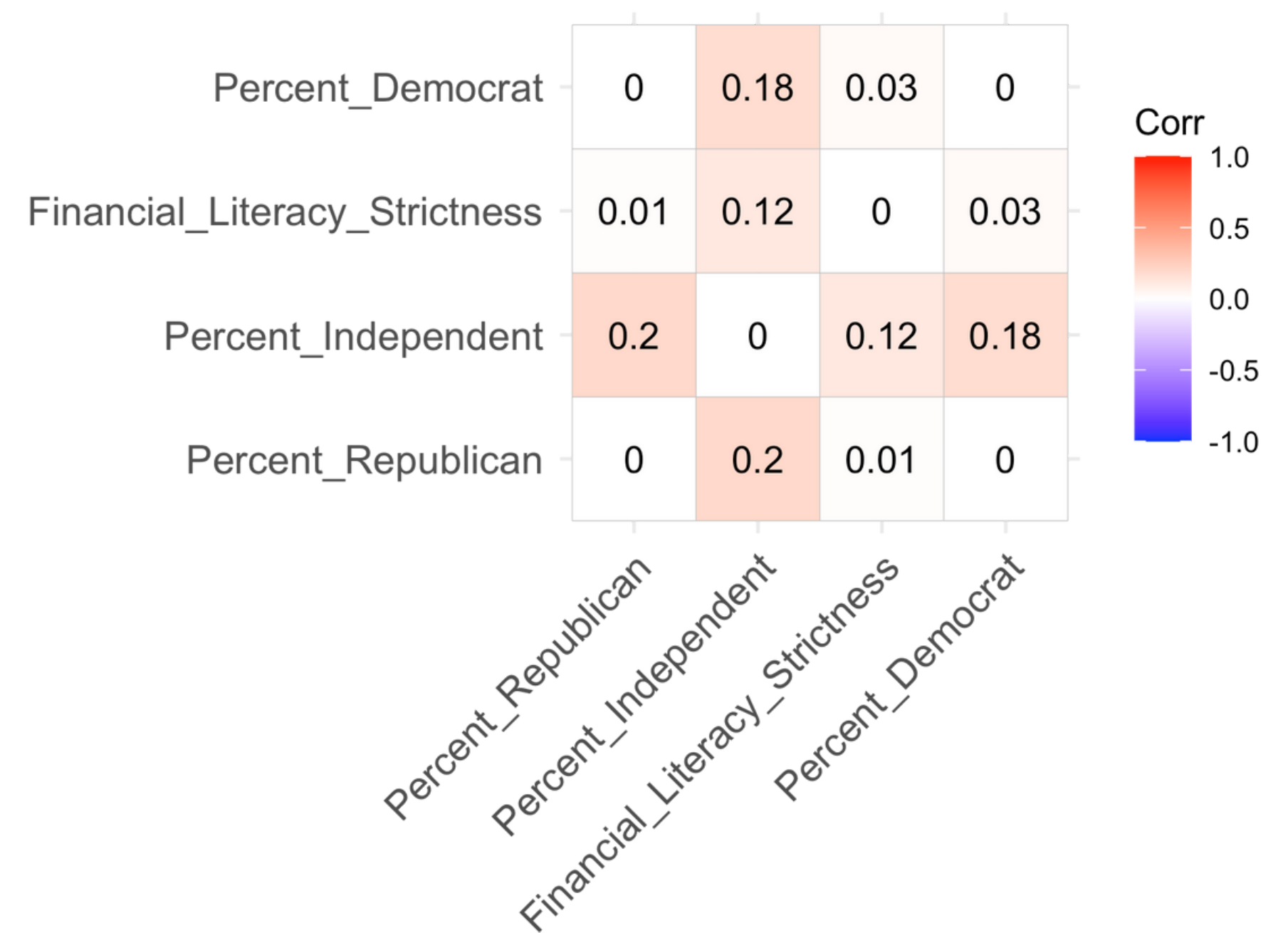


## Financial literacy implementations based on partisanship

### Visualization of Correlation Coefficients

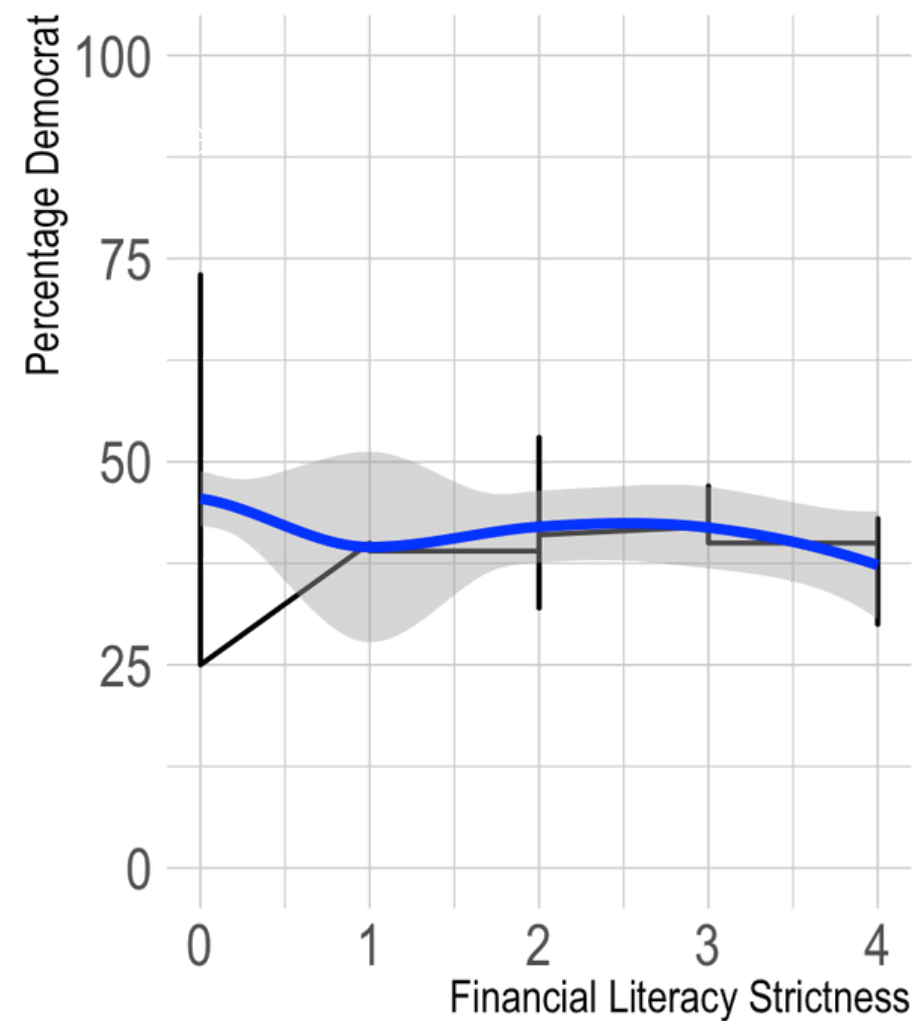


### Visualization of P-Values

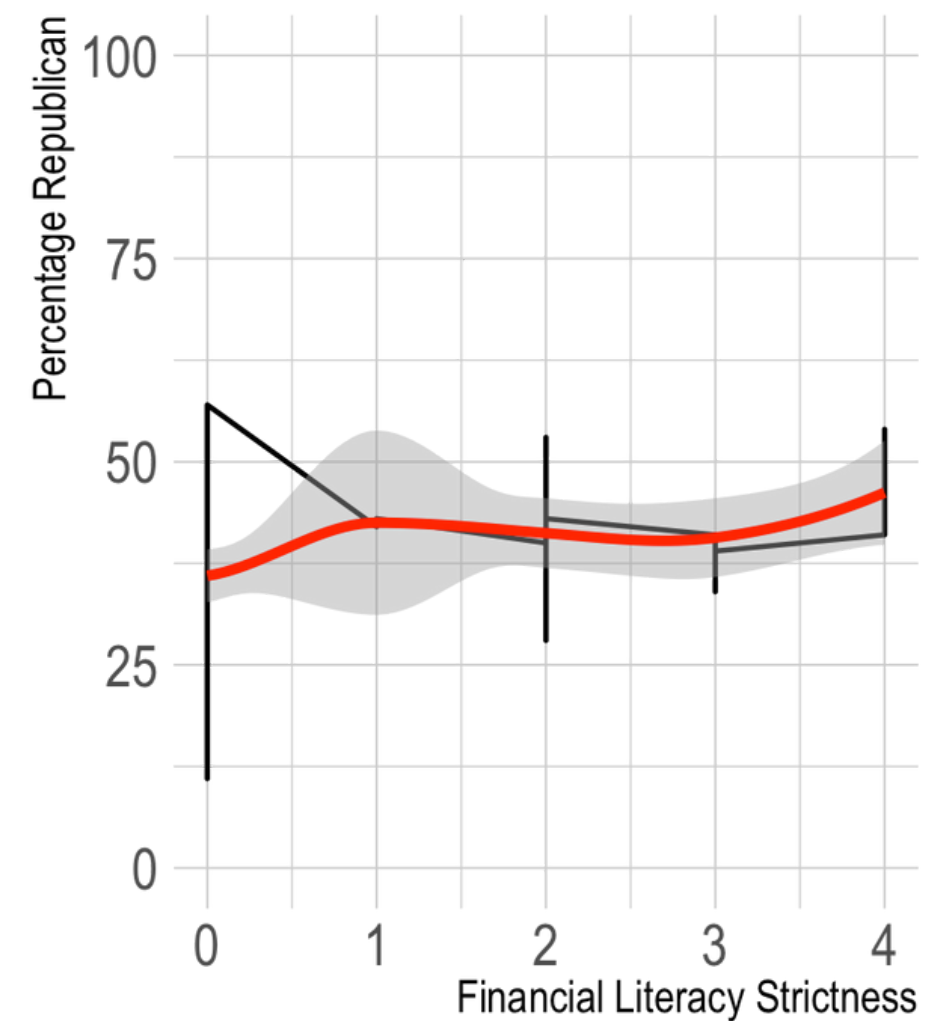


## Financial literacy implementations based on partisanship

### Financial Literacy Strictness vs. Partisanship



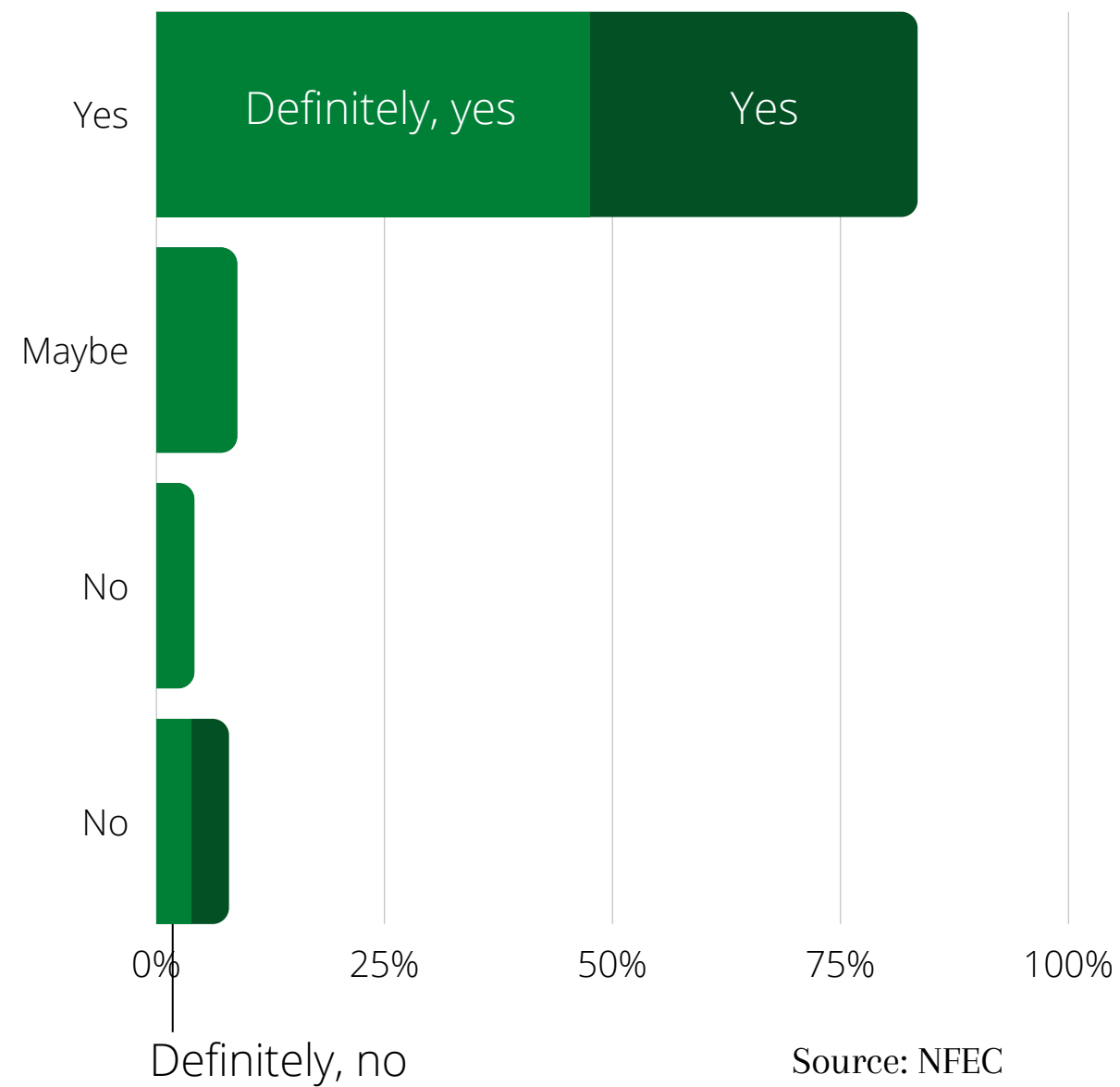
Source: Pew Research Center & CFEE



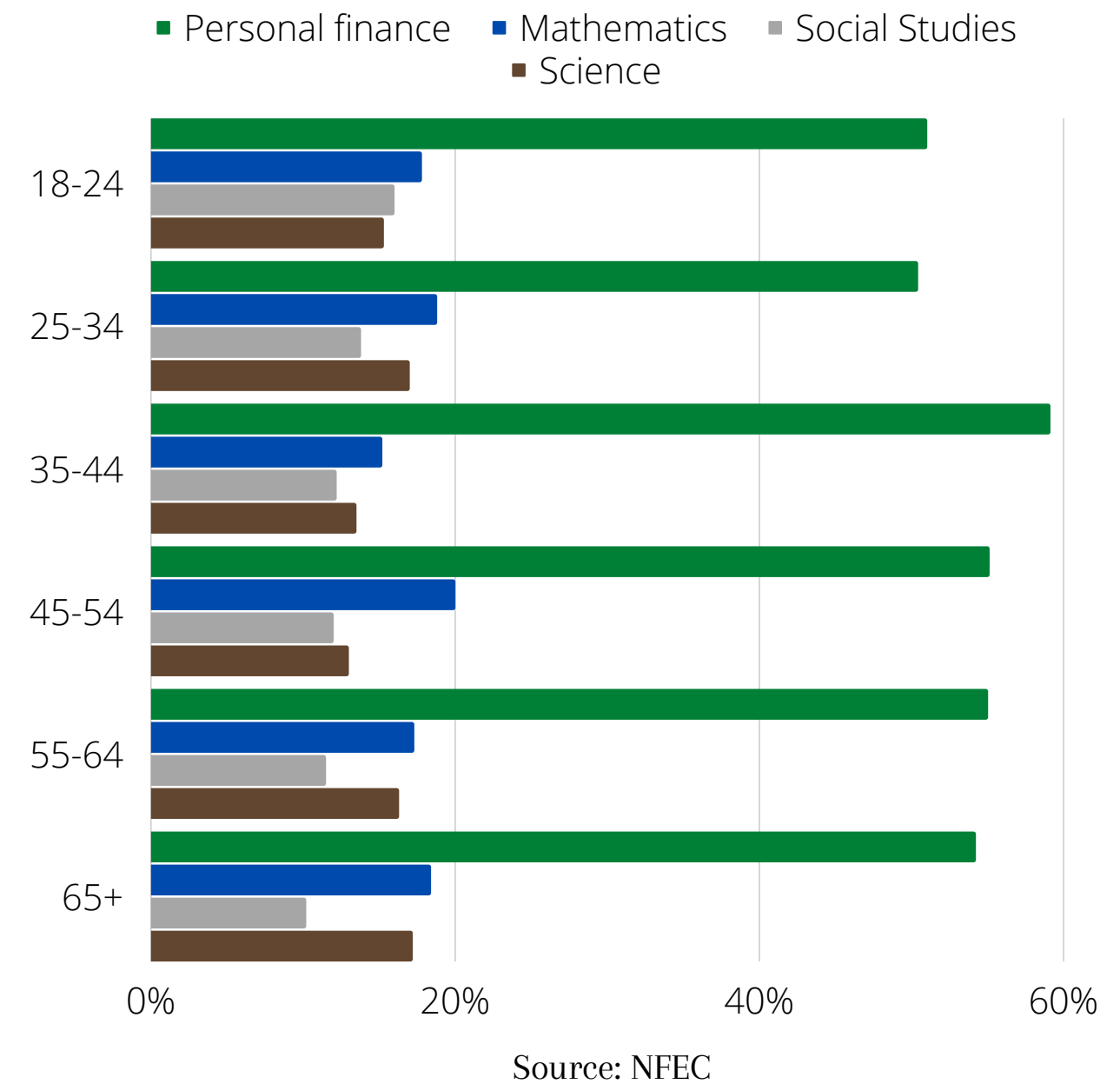
Source: Pew Research Center & CFEE

## Financial literacy and public opinion

Do you think high school students should take personal finance courses in high school?



What high school level course would benefit your life the most?



## Critiques of Financial Literacy Mandates

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\*According to findings from Martina Pen, no relationship exists between investment knowledge and a double dose of financial education in high school and in college (Martina Pen, 266).

\*Bernheim, Garrett, and Maki (2001) found state high school requirements for students to take personal finance courses had no effect on financial literacy or financial decisions (Shawn, 657).

\*According to Brown et al., two US high school curriculum reforms for improved financial literacy between 1957 and 1982 had no causal effect on asset accumulation or credit management (Shawn, 659).

## Solution

\*Idaho has had a well documented case in which financial literacy courses were successful. The class placed an emphasis on learning basic economic theories in conjunction with practical skills regarding investment, insurance, money management and more (Shawn 659).

\*Current efforts to address financial literacy in the US can be grouped into 3 broad categories:

- Early education
- Mitigation
- Retirement planning

\*According to researchers from the University of East Anglia in the UK, the majority of college students remember only about 40% of individual classes taken in high school (Harriet).

----->Therefore, it is unreasonable to expect recall percentages for financial literacy classes to be higher without emphasis on reforming financial literacy curricula.

\*There is no universal definition of "financial literacy." Therefore, no reasonable way to assess financial literacy exists currently (Contreras, 41).

A centralized course curriculum should be created that will be tested until a highly effective personal finance course at the high school level is created.

Thank you.

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