BAEI

Boston Alliance for Economic Inclusion

In partnership with United Way of Massachusetts Bay and Merrimack Valley

Financial Education: A Guide to Promising Practices

Financial education aims to increase “the ability to make informed judgments and to make effective decisions regarding the use and management of money.”[i]

Introduction

Many promising practices exist in the field of financial education. This brief guide aggregates some documented practices and offers examples. Please note that no one organization has been found that reflects every promising practice, and more examples for each practice are available. **This guide offers some important ingredients for a successful financial education program**. But, as with any recipe, additions and experimentation can lead to improvements! See what works for your organization.

This Guide began with a review of local programs and their promising practices as reported to United Way of Massachusetts Bay and Merrimack Valley by partner agencies. The intended audience includes community and faith-based organizations, financial institutions, educational institutions, and others providing or designing classes in basic personal financial education. The target population for classes consists of low-to-moderate income adults, as well as recent immigrants. The basic definition of a program is an 8-12 hour, multiple-session, small class, led by a trained instructor with the support of a curriculum that covers customary topical areas.

An urgent, national need for quality financial education programs exists:

- More than 25 percent of American households are asset poor. If their income flow is disrupted, their total savings will sustain them for less than three months.[ii]
- Up to 20 percent of American families lack checking or savings accounts. Consumer debt has doubled in the past decade.[iii]
- “Financial education works and can make a significant difference in the way people save and spend their money,” stated FDIC Chairwoman Sheila Bair citing the results of a Gallup survey.[iv] The survey shows that 43 percent of people without checking accounts opened one as a result of a financial education program.

This brief guide was the result of the efforts of the FDIC Boston Alliance for Economic Inclusion’s Financial Education Working Group. The Alliance for Economic Inclusion (AEI) is the FDIC's new national initiative to establish broad-based coalitions of financial institutions, community-based organizations, and other partners in nine markets across the country to bring all unbanked and underserved populations into the financial mainstream.

1. Quality Instruction

Quality instruction is a key ingredient to any successful financial education program. Instructors must know the topic, the curriculum, and the participants. They need to possess a classroom presence, the skills to facilitate a lively discussion, and the ability to connect with participants. Instructors should make the environment inviting, respectful, interesting, and conducive to learning among adults.

Promising practice components:

- Obtain as much participant information as possible—gender, cultural background, employment status, banking experience, learning styles, English proficiency, etc. This information can be obtained through a registration form, or intake assessment, from the program contact who enrolls the class, or by asking questions in the first session.
- Use personal experience and real-life examples. When participants view the information as practical, teaching points are reinforced.
- Satisfy the three styles of learners—auditory, visual, and kinesthetic—by using dynamic and engaging speech, colorful and descriptive slides, flip charts, and activities that allow the participants an interactive, hands-on, performance-oriented experience. Include paper and pencil exercises, more elaborate role playing, or other similar exercises.
- Invite financial experts, or knowledgeable personalities, to speak to the class. These experts drive home key points, but more importantly, they may inspire the class to use what they learn. If an organization or institution is inviting “guest” financial experts to speak in classes, the organization needs to make sure that each expert has instructional capabilities and the ability to connect with participants.
- Adapt the curriculum to the needs of the participants, when appropriate. Various methods can be used to convey the primary teaching points to the class. The participant information garnered at the beginning of class can be helpful in indicating how much flexibility may be necessary.
- Keep to allotted time and make sure to cover material in a timely fashion.
- Engage knowledgeable participants as peer leaders and motivators for other participants.
- Offer instruction in another language, when needed. If participants have limited English proficiency, the program staff or instructor is well-advised to obtain a bilingual instructor or to re-enroll that participant in another, language-specified, class. A translator may be acceptable, but is not as effective as a bilingual instructor.
- Use vocabulary accumulatively, and jargon and techno-speak sparingly. Provide explanations.
- Simplify instructional props. Use flipcharts with bold and dark markers. Use sticky notes to post questions on a larger “Parking Lot” board. Do not overuse PowerPoint presentations. Powerpoint presentations help instructors, but can be one-dimensional, or not interactive enough, for some participants.
- Evaluate instruction routinely, by participants, and less routinely, by other instructors.
- Encourage follow-up with participants, if possible. Convey that it is in their best interest to seek and accept assistance to overcome obstacles. Follow-up is essential for translating education into practice and financial stability. (See Practice 6: Follow-up/Ongoing Engagement)

Why is it a promising practice?

Whether class participants actually translate the knowledge gained into financial action can depend to a large extent on the quality of instruction received. Thus, instructor skills training is very important and often overlooked. So, too, is practice, as instructors do increase their confidence and ability over time. Money issues are often delicate and seen as private matters. Building trust, motivation, rapport, and confidence, in addition to knowledge, helps participants move beyond obstacles to increased financial stability.

Program Examples:

♦ **National Example: NeighborWorks Financial Fitness**

This national organization offers a 3 day "train-the-trainer" workshop, which includes adult education techniques; content, standards, and models; individual sessions; planning, designing, and marketing; partnership building; and evaluation and impact. An online startup guide is also available at www.nw.org.

♦ **Local Example: Chelsea Neighborhood Housing Services (NHS)**

Chelsea NHS offers a 6 week program—available at various times throughout the year—with guest presenters who are experts and practitioners in their respective fields. Because Chelsea NHS offers these workshops in both Spanish and English, many of these guest presenters are fully bilingual. This approach allows all participants equal access to the wealth of knowledge available in the field, as well as an opportunity to increase their social capital by connecting them with individuals who they can access at future points in time. Coordinating with guest speakers allows the program staff to concentrate on other promising practices, such as outreach.

2. <u>Effective Outreach</u>[v]

Agencies and institutions that offer financial education classes should have marketing and outreach plans that effectively reach those in need of financial help in their community. Particular attention should be paid to historically vulnerable populations, such as non-English speakers or low-income residents.

Faith-based organizations, unions, political groups, media outlets, local colleges, health centers, and other community groups and sectors can be important resources in referring potential students. They may also provide a well-rounded assessment of the local population's financial education needs. Outreach efforts should emphasize the benefits that attendees will receive, providing the incentive to sacrifice time and resources to attend classes—particularly, incentives like participation in a matched savings or homebuyer assistance program. (See final section: Asset Building Context.)

Incentives that can be offered:

1) Monetary incentives in support of savings can be used at the completion of the program (financial institutions may provide savings coupons that promote new business)
2) Access to personal credit reports and their analysis
3) Fee discounts (for example: closing cost reduction, minimal fee accounts)
4) Non-interest bearing accounts when interest bearing accounts are not an option (for example: checkless checking, basic banking)

Promising practice components:

- Personally engage local groups/organizations/institutions as stakeholders, to build support and maximize potential outreach and success. Include stakeholders by providing program updates, offering communication channels, and reaching out to assess their community's needs.
- Obtain public support from local officials, such as the mayor, city councilors, and housing authority.
- Build curiosity and support at the grassroots level by holding focus groups to talk about financial education and specific issues, such as predatory lending.
- Assess local population needs, such as language, resident status, cultural barriers, etc.
- Advertise with newspapers, local radio, newsletters, posters in store windows, and word of mouth.
- Obtain feedback from class participants concerning quality, program accessibility, and the outreach efforts made by your organization.
- Measure your marketing and outreach efforts through interviews and surveys, to determine if the correct message is being received by all target populations.

Why is it a promising practice?

In order to take full advantage of these financial education resources, residents must first be aware that these services exist, what their added value is, and how to enroll. A low-budget, effective way of reaching residents is through groups and organizations that already have established relationships, such as clergy members, union groups, or other community-based organizations. Targeting marketing efforts to reach underserved populations can be effective.

Program Examples:

♦ **National Example: Latino Community Credit Union, North Carolina (LCCU)**

This Credit Union offers a full line of products and services (including remittances and non-interest bearing savings accounts) to a population that was previously unbanked (75 percent) and largely low-income (95 percent). All materials, services, and staff are bilingual. Seven years ago, LCCU and a group of community centers, a catholic church, and other credit unions, began connecting with people via one bank, and they used the outreach incentives of food, music, and family activities. Since then, the most important ingredient for its members' success has been quality financial education. A growing trust of LCCU has been the basis for organizational success. LCCU grew to five branches in its first three years, and its model is likely to be replicated in other states. For more information, visit www.latinoccu.org.

♦ **Local Example: Boston Alliance for Economic Inclusion (BAEI), Financial Education**

Sponsored by the Federal Deposit Insurance Corporation (FDIC), BAEI Financial Education Working Group is comprised of people from across sectors who are interested in financial education. They engage in two major outreach initiatives, a radio show and a web list server. Both tools have allowed agencies providing financial education classes to spread the word. Many of the organizations and corporations involved with BAEI have used these two means of low-cost outreach with great success, bringing people into their financial education classes who would not have attended otherwise. To view the list server, go to http://groups.yahoo.com/group/MassFinancialLiteracy.

BAEI Financial Education Working Group supports and celebrates two partnerships, one led by a credit union and the other by a non-profit agency. For more information, visit www.sabes.org/resources/moneysmart-winter2007.pdf.

3. Partnerships[vi]

To maximize the effectiveness of a financial education program, agencies should leverage support from an array of stakeholders, including private businesses, government agencies, and non-profit organizations. Partnerships encourage shared responsibility and celebrate community success.

Promising practice components:

- Develop and sustain institutional relationships. Potential partners may include colleges and universities, government agencies (for example, workforce investment boards), career centers, non-profit organizations, foundations, faith-based organizations, private businesses, unions, area professional and trade associations, and chambers of commerce. Some of the organizations that were initially engaged for outreach purposes may become programmatic partners.
- Seek partners with similar, complementary, or compatible missions, philosophies, and values. For example, a child care organization may be a good partner if class participants consistently have child care needs. Wrap-around services are generally worthwhile for all agency programs. For example, traditional workforce development agencies may integrate financial education in their adult basic education classes, and could arrange for an agency with specific financial expertise to provide that instruction. With strong partnerships, the participants have a better chance for success.
- Promote consistency of goals. Evaluate program needs and partnership effectiveness.
- Develop financial support from partners and investors, directly or via their respective networks.

Why is it a promising practice?

Strong partnerships can strengthen a financial education program by accessing more resources to assist with classes, counseling, and promotion/outreach efforts. Additionally, a network of professionals and experts in the field keep abreast of and contribute to the current knowledge base and available materials. Partnerships can also offer invaluable advice/resources to students and teachers through workshops, class presentations, conferences, etc.

Program Examples:

♦ **National Example: National Endowment for Financial Education (NEFE)**

NEFE is a non-profit foundation that partners with other organizations to provide the public, in particular underserved populations, with financial education. Some of NEFE's partners include the Annie E. Casey Foundation, the Fannie Mae Foundation, the American Institute of Certified Public Accountants, the American Red Cross, City Year, Boys and Girls Clubs of America, and many more. With its partners, NEFE contributes funding, logistical support, and financial materials for educational programs. NEFE also sponsors events for professionals in the financial services industry to explore new ideas in the field. Visit www.nefe.org for more information.

- ♦ **Local Example: Pro Home**

Pro Home is a non-profit corporation that produces and advocates for affordable housing by bringing together diverse groups and individuals to aggressively work toward solutions. Pro Home provides a 9-hour Financial Education class in Taunton and Attleboro, and has developed a successful partnership with those cities, as well as many local lenders. The City of Taunton was so impressed with the quality of the classes that Section 8 voucher holders are required to attend the financial education class before they attend a Homebuying 101 course. Volunteers from multiple financial institutions serve as class instructors, so that no one financial institution is overburdened. Volunteer instructors come from all departments to offer first-hand experience of the material. For example, the topic of Credit would be taught by someone who works in Loan Underwriting. This partnership also creates an opportunity for volunteer instructors to learn the needs of the community.

4. Personalized, Flexible Services[vii]

Ideally, good financial education programs individualize services to each participant and find creative ways to ensure that they have access to classes and counseling, despite hectic schedules, language barriers, cultural obstacles, educational levels, or family obligations.

Promising practice components:

- Assess each participant to make sure they are placed in the most appropriate workshop, in light of any asset-specific goals, tying the motivation/incentive to the workshop's successful completion. For example, a basic financial education class may be a more appropriate first step than a homebuyer education class.
- Offer or refer participants to beginner, intermediate, or advanced level classes/counseling services, when possible.
- Target underserved populations. Offer multi-lingual services, and accommodate persons with disabilities.
- Schedule class times around participants' needs and experiment with class schedule to see what works best. Hold classes in locations easily accessible by public transportation.
- Provide supportive services. For example, child care may enable more individuals to attend financial education classes. Whereas childcare was provided by extended family at one time or in a home country, nuclear families often do not have that support locally now.
- Encourage each participant to create a personal financial plan and learning objectives. Integrated within the class design, provide individual sessions for goal-setting (for example: paying bills on time, restoring credit) and planning (for example: opening bank account, depositing monthly savings).
- Seek participant feedback and evaluate the program. Track participants' success and obstacles faced.
- After the classes are complete, provide one-on-one counseling and individualized planning.[viii]
  - Identify individual needs, utilize a strengths-based perspective, and frame suitable plans.
  - Promote a respectful sense of choice, personal responsibility, and ownership of process.
  - Engage and build relationships to increase comfort level with money issues.
  - Use a case management approach with formal assessments and service planning.
  - Increase counselors' ability to work with people of different incomes, ages, genders, and cultural backgrounds through training and/or supervision.
  - Address personal barriers, with services involving the entire family.

Why is it a promising practice?

When the financial education program can individualize its services to each participant, they exhibit trust and confidence in the agency and its services, which results in greater use of programs and increased access to financial services. Multi-lingual services can make financial education programs more accessible to segments of the population that were historically under-served. Supportive services, such as childcare, enable families and individuals to attend financial education classes.

Program Examples:

- ♦ **Local Example: Greater Boston Interfaith Organization (GBIO) Debt to Assets Program**

The Debt to Assets program adapts the MoneySmart curriculum within a strong social and economic context. GBIO partners with a financial institution and a community-based organization to deliver this program in trusted settings where participants already gather, such as a church or union hall. Participants also commit to an ongoing peer support group to stay on track with financial plan and goals, and to celebrate success. For income eligible participants, three individual sessions with a financial counselor can assist with follow-up. These participants also receive a $500 grant to reduce debt or build savings upon program completion. In an effort to increase the program's accessibility, and to help ensure regular attendance, GBIO arranges childcare.

5. <u>Curriculum</u>[ix]

Many good curricula exist, so instructors need not start from scratch. Some programs will pull from multiple curricula to tailor the class according to participant needs and learning styles. Comprehensive financial content is the basis for a strong curriculum, but the deliberate framing of the content helps deliver the message. For example, contextual information on the US economic system should be included for a class of new immigrant. Framing should also take a participant's current financial knowledge and situation into consideration. For example, are participants struggling to pay all bills on time, or are they ready to work on long-term savings?

Promising practice components:

- Instruct individuals and families on how to gain and sustain valuable assets. Lessons learned can include:
  - Individual goal setting, planning, and budgeting
  - Basic financial services (banking: checking, savings)
  - Credit management and repair
  - Emergency readiness and asset/credit protection
  - Saving and investing
  - Asset-building (Individual Development Accounts (IDAs), homebuyer education, small business development, post-secondary education, retirement planning)
  - Taxes and recordkeeping.
- Ask participants what questions they want answered in class. This will help shape the curriculum.
- Track the success rate of participants and solicit their feedback.
- Correlate classroom materials and lessons to state and/or national standards.[x]
- Integrate financial concepts within other curricula (English for Speakers of Other Languages, Adult Basic Education).
- Use materials that are accurate and current.

Why is it a promising practice?

A strong financial education curriculum can offer participants ways to alleviate debt or repair credit, and it can emphasize the importance of saving and personal budgeting. A good curriculum helps participants to ultimately realize their long and short-term goals—including financing a college degree, buying a home, developing a business, or finding a new job.

Program Examples:

♦ **National Example: FDIC's MoneySmart**

The Federal Deposit Insurance Corporation's (FDIC) MoneySmart is an adult financial education program that incorporates the skills necessary to understand finances and create a savings and budgeting plan. The program is designed as a "training program to help adults outside the financial mainstream enhance their money skills and create positive banking relationships." [xi] MoneySmart has been used by banks, credit unions, non-profit agencies, government institutions, and other organizations. FDIC established MoneySmart models in eight of their regional offices, including Boston. Curriculum is available in multiple languages and formats. Visit www.fdic/gov/consumers/consumer/moneysmart.

♦ **Local Example: Women's Institute for Housing and Economic Development (WIHED)**

The Women's Institute's Economic Empowerment Program (EEP) Curriculum was launched in 1994 and is updated on an on-going basis to reflect shifts in the larger economic environment and public policies. The organization has been providing "train the trainer" opportunities for years. WIHED resources are easily accessible online. Visit www.wihed.org for more information.

6. <u>Follow-Up/Ongoing Engagement</u>

Follow-up services by financial counselors and instructors are needed to ensure that financial education participants understand lessons taught and how to implement the lessons effectively into their lives. This promising practice is most often captured in a community-based organization where other programs, follow-up, and ongoing engagement naturally exist.

Promising practice components:

- Follow-up with participants to ensure that they are able to apply skills/lessons learned.
- Create a personalized financial plan with each participant and a timetable for follow-up.
- Provide flexible follow-up to the participant's specific needs.
- Track outcomes on success rates.
- Create peer groups to keep participants engaged and supported.

Why is it a promising practice?
Follow-up services encourage participants to maintain budgets, saving plans, and responsible spending habits. Ongoing engagement offers support when crisis arises or setbacks are experienced.

Program Example:

♦ **Local Example: Allston Brighton Community Development Corporation (ABCDC)**

ABCDC offers participants follow-up services that recognize each individual's unique need and schedule. For example, the agency conducts classes in multiple languages. ABCDC asks their students when they want counselors to contact them, and counselors follow the timeline created by the student. ABCDC has found that this technique has resulted in greater trust in their staff and programs, an increased use of counseling services, and greater access to financial assistance and affordable loans.

7. Asset Building Context

Asset Building is an overall framework of investment in policies and programs that move working poor individuals and families into the economic mainstream. An example of an asset building policy is waiving asset limits for public benefit eligibility. A program example includes matched savings accounts. An example of combining asset building tax policy with program is encouraging families to take advantage of the Earned Income Tax Credit via Free Tax Preparation. Financial education classes, as a foundation for asset building programs, can enhance motivation, incentive, and confidence to build overall financial stability. The specific assets vary depending on the individual or family needs.

Promising practice components:

- Provide comprehensive education at each step toward the specific asset. Clearly explain what is expected for obtaining that asset.
- Encourage participants to continue with a follow-up class on the subject.
- Enable those of modest means to save, build assets, and enter the financial mainstream via Individual Development Accounts (IDA) or matched savings accounts. IDAs reward the monthly savings of low-income families working toward purchasing a lifelong asset, most commonly their first home, post-secondary education, or starting a small business.
- Increase utilization of the Earned Income Tax Credit for those eligible via free tax preparation sites. A portion of the Credit can be placed in an existing or new savings account via split refunds. Financial counseling, or referral to financial education classes, during tax preparation can move participants closer to financial stability.
- Build assets through employer-based benefits. Examples of these benefits are "Opting out" 401(K) retirement savings, and profit-sharing. Opting out means that once an eligible employee is hired, they are automatically enrolled in the retirement program.
- Build incentives to save for long-term financial goals, rather than discourage it with public and administrative policies. For example, calibrate asset limitations for public benefits so they encourage some level of savings.

Program Resource:

♦ **Local Example: MIDAS Collaborative**

MIDAS is a statewide collaborative of community-based, non-profit organizations that help low-income residents of Massachusetts build assets and achieve greater economic stability. Its work includes:

- Expanding access to IDAs by providing technical support, funding, and back-office fiscal services to community-based organizations in Massachusetts. Funding Futures, sponsored by United Way of Massachusetts Bay and Merrimack Valley, is one example of a program administered by MIDAS.
- Providing research, training, and resources in promising practices for financial education. Maintaining a website that includes news, resources, and a calendar of trainings to improve and coordinate financial education in Massachusetts. www.MassSaves.org
- Joining with other organizations to promote the formation of an Asset Development Commission. The Commission, made up of public and private stakeholders in community development, will coordinate asset development efforts and make recommendations to establish a comprehensive asset development system in Massachusetts.
  Visit www.MassAssets.org for more information.

Resources

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End Notes

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[x] National Best Practice Guidelines for Personal Finance Education Materials, 2003, www.jumpstart.org.

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