Financing the Future

The Growth of Financial Literacy for Students of All Ages

by Stephen Santulli

Steve Burman arrives early.

His weekly financial literacy course for parents at a Bronx homeless shelter is going to start in a few minutes. He places brochures announcing this week's topic, payroll and income taxes, face-up in front of each chair at the table. He prepares for a full house.

In his fourth round of workshops at the shelter, Burman understands that today's lesson may have 5, or 25, attendees. This is a shelter for homeless families, and residents have a lot on their plates — meetings with caseworkers, young children to care for, the ongoing struggle to find employment — all before they can consider supplementing their education at Burman's seminars.

He understands what he is up against. He knows the shelter residents' time is valuable. Sometimes he provides additional incentives, such as donuts and fresh coffee, to help boost attendance. Over the PA system, the voice of a shelter staff member promoting the workshop drifts into the children's nursery that is Burman's classroom. And he waits for the sound of footsteps climbing the stairs. In about five minutes, Burman will dive into the day's lesson plan, adapted from the literature of the credit-counseling agency he founded, Credit Advocates Counseling Corp (CACC).

Educators, researchers, and specialists in financial literacy all say that the demand for this type of instruction has grown since the Great Recession. But some experts want to shift the focus of the programming away from credit-counseling services like debt management and bankruptcy preparation, which serve clients after their finances have fallen into disrepair, to a preventative approach, teaching the basic principles of sound money management in the hope that low-income people can avoid running into financial trouble in the future.

Financial literacy education casts a wide net, ranging from the more complex details of managing personal finances, like building credit, repaying debt, and making wise consumer decisions, to more basic knowledge about budgeting and banking, and even elementary skills like goal-setting. Professionals teaching financial literacy have developed age-appropriate lesson plans for students at all stages of life.

The economic downturn revealed a greater need for those skills in the broader population, educators say, particularly given the role of consumer debt in precipitating the financial crisis. But it's also made it less likely that traditional credit-counseling services can provide the lifeline they once did to Americans facing financial hardship.

Dave Jones, the president of the Association of Independent Consumer Credit Counseling Agencies (AICCCA), says that many of those hit hardest by the downturn may be in too deep a financial hole for credit counseling to help. The AICCCA

Left: *Instructor Laurel Kubin of Make Change NOCO teaches financial literacy to adults who are at risk of being evicted from their homes, so they can better manage their money and remain stably housed with their families.*

Opposite: *Parents who are experiencing homelessness learn how to better budget and manage their finances through financial literacy classes taught by Steve Burman, founder of Credit Advocates Counseling Corp., at a shelter in New York City.*

represents over 170 credit-counseling agencies nationwide, including Burman's CACC. Jones says his members counsel roughly 4 million people a year, and that before the recession, roughly 20% of clients who approached credit counselors were among those eligible for assistance through debt-repayment plans—those who could still see light at the end of the tunnel. Today, he says, AICCCA members assist only around 9% of clients with debt repayment.

"The biggest challenge that we face today is that we can't get to people soon enough," Scott says.

With even middle-income Americans facing mounting debts, educators see a greater urgency for reaching low-income clients with a basic financial literacy education. The challenge they face is how to make this type of education resonate with clients who are poor or homeless, and may face more immediate financial difficulty.

In New York City, Mayor Michael Bloomberg took a step toward meeting that challenge by creating a new Office of Financial Empowerment within the Department of Consumer Affairs in December 2006. The office, which the City describes as the first of its kind in the country, provides consumer education, credit counseling, and financial literacy education, all aimed specifically at low-income clients.

The New York City model has received national attention. At the Center for Financial Security (CFS) at the University of Wisconsin-Madison, Faculty Director J. Michael Collins says that financial literacy education is most effective when integrated into existing services for low-income individuals, such as public assistance programs and transitional housing. Collins says that these programs catch clients in moments of transition, an optimal time to emphasize what he calls "teachable moments" for clients.

Research conducted by the center suggests that an integrated approach to educating low-income clients, bringing together public and private resources, yields promising results. Between 2009 and 2011, CFS conducted surveys of families around Wisconsin who participated in a financial literacy program integrated into Head Start, the education and health care program for low-income children. The program included regular newsletters, workshops, and coaching. The survey found that families participating in the programs reported modest increases in confidence when it came to certain financial tasks and the ability to meet their financial goals.

Service providers working with low-income and homeless individuals are putting this approach into practice in communities across the country.

The Homelessness Prevention Initiative (HPI) in Fort Collins, Colo., serves low-income families in immediate danger of losing their housing by providing rental assistance to prevent eviction. The assistance used to last only one year, but HPI has extended it since the start of the downturn, according to Executive Director Sue Beck-Ferkiss.

The initiative also offers interested clients an option called Education Extra. Participants commit to a two-stage financial literacy program, starting with a two-hour group seminar and followed by one-on-one counseling, during which clients develop individualized spending plans. HPI partners with Make Change NOCO, a local credit-counseling service, to run the classes. Last year, 269 individuals from 123 households took part, Beck-Ferkiss says.

Even though the clients that HPI serves are on the verge of eviction, Beck-Ferkiss says that the focus on long-term financial skills is productive. "The skill-building has to start somewhere," she says.

In the South Bronx, the family shelter where Burman runs his workshops serves a population in even greater distress. Staff at the shelter initiated the partnership with Burman and CACC after residents requested more adult-education programming. The shelter's model integrates a range of supportive services into transitional housing, so Burman's lessons blend seamlessly into the existing programming structure for residents.

That doesn't mean that attending classes and absorbing the information is always easy. On a Wednesday in early February, Burman launches into his lesson in his usual fashion, leading students in a group read of the week's brochure, "Developing Banking Relationships." Going around the table, the six students, all women, work through the pamphlet a few paragraphs at a time, occasionally raising their voices to be heard over the cries of the three young boys who have come to the nursery with their mothers.

Afterward, Burman builds on the written material with a free-flowing lecture fleshing out the material in greater detail. Leaping from one topic to the next, he impresses on the students a few nuggets of financial wisdom that may come in handy down the road. Banks are insured, but safety-deposit boxes are not. Pay off only the minimum required on your credit card balance each month, and you'll eventually owe more in interest than your entire balance. He even gives a short overview of how to set up an Individual Retirement Account.

But financial literacy education really begins with the basics, to lay the foundation for better decision-making down the road. Other handouts outline some basic principles: "How do the decisions I make today impact me tomorrow?" They describe the concept of an opportunity cost—"what you pass up when making a decision"—and encourage students to mentally divide future purchases into "needs" and "wants."

Now Burman and his students pass into the next phase of the lesson: the roundtable discussion. Burman wonders aloud how recent changes to New York City's rental-assistance programs affect decision-making, and his students respond knowingly. They've all been grappling with these changes. Housing support, which used to provide reliable vouchers, switched to require proof of income, which most of the women present are unable to provide.

On one side of the table, a woman explains how the lesson applied to her own life. Her iPhone was recently stolen, she says, presenting her with a choice. Should she buy another iPhone, or buy a smaller phone to save money? A cell phone is a need, but given the variety of choices, at what point does it become a want?

After the lesson, the woman considers what she's just heard. At 45, Zareth has to support two sons, ages 6 and 16. Unable to work due to a disability, she has been receiving unemployment, and has other debts to account for, including unpaid student loans. This is the second financial-literacy class she's come to since entering the shelter six months ago. She says that the opportunity to hear from others in similar circumstances is the most valuable thing about the workshop, and she appreciates Burman's dedication.

"You learn information, and you tell your story, so that you can get even more information," she says.

Contemplating if his lessons have gotten through at the shelter, Burman is circumspect. The mission here is different from the one with which he started CACC in 1992. Most of CACC's clients face acute financial hardship resulting from a few poor decisions—towering credit card debt, for example. The shelter population, of course, faces more intractable difficulties, often compounded over years, or even generations, of bad circumstances.

"It's a tough crowd to reach," he says. "Most of these people are there because it's almost the last stop on the train."

Still, he thinks he's had a positive impact overall. This is the fourth round of seminars he's run there, using the same eight-session program he developed from CACC's broader curriculum.

Left: *The eight-week financial literacy classes at a Bronx-based family homeless shelter provide parents with an opportunity to discuss real-life money issues.*

Financial literacy is a hot topic lately, he says, especially because of the public perception that irresponsible financial behavior played a leading role in the run-up to the financial crisis that caused the downturn.

While Collins sees great potential for merging financial literacy education into existing services for low-income individuals, he is more skeptical that the traditional curriculum can reach the homeless, who frequently experience immediate crises that may need to be addressed before laying the foundation for better financial management down the road.

"The struggle is knowing when is safe enough and secure enough to start looking at these higher-order needs," he says.

But the distinction between middle- and low-income clients may be less significant now, since the recession pushed many formerly well-off families into a lower standard of living. Becky House counsels clients in severe situations. Her Seattle-based credit-counseling firm, American Financial Solutions, runs workshops for people who are in transitional housing or trying to get into transitional housing. She's noticed a change in the population looking for housing. Increasingly, she sees young families who never expected to be homeless, but were forced from their homes after an unexpected event like job loss, divorce, or separation.

Her program rebuilds those families' hopes from the ground up. Discussion starts with basic questions, like "Why do you want to own a home?" and proceeds to understanding how building credit can be an asset, not merely a way of sinking into debt. The goal is to move people back to permanent housing, and offers an incentive program to match funds that participants save up to $700.

Those same lessons resonate at the shelter that CACC serves. Burman says that his students have changed his perception of homelessness. Stories like Zareth's reveal that homeless adults living in shelter still have living expenses, and therefore a basis for future financial planning. The CFS report on families enrolled in Head Start, meanwhile, found that 90% of those surveyed had completed high school, and 48% had completed some college.

Only time will tell if the increased focus on financial literacy yields long-term success. One unresolved question is what type of educational programming is most successful. In New York, the new Office of Financial Empowerment is conducting a survey jointly with CFS to evaluate the impact of its programming on low-income clients. In particular, the survey aims to determine whether group education programs, like Burman's, or individualized counseling is more likely to influence financial behavior. Preliminary data collected over 2009 and 2010 indicates that one-on-one assistance resulted in better indicators of financial security for clients, such as reduced debt levels and higher credit scores, but the study is still in progress.

Inadequate financial knowledge among low-income families also affects children, since they cannot learn these lessons from their parents. That has led to a greater emphasis on the need for finacial-literacy education in schools. Only four states—Missouri, Tennessee, Utah, and Virginia—require that students complete a semester of financial literacy work to graduate, though many other states offer some instruction on this topic.

Above: *Classes are set up to encourage homeless parents to join in, allowing young children to accompany their parents, and sometimes providing incentives such as free diapers.*

Every two years the Jump$tart Coalition for Personal Financial Literacy, which develops curricula for teaching financial management used by 150 organizations across the nation, conducts a survey of students' financial knowledge. Survey results in 2008, the most recent year in which data was collected, found that students from low-income backgrounds performed significantly worse in the evaluation, across all categories.

"These are the families that are least prepared to instruct their own kids," says Laura Levine, the executive director of Jump$tart.

Even though students need to reach middle or high school to understand the more complex aspects of financial management, Levine says schools need to start early in teaching students lessons about personal finance—so they won't be making up lost ground as adults. ■