Financial Literacy for a Skilled Future

Atlantic Council

pwc

Introduction

A mismatch between available jobs and the talent necessary to fill them contributes significantly to the ongoing unemployment crisis. Our education system has not adequately prepared students with the financial instruction and job skills necessary to succeed in the 21st century.

The continued and strengthened competitiveness of developed economies is a core concern of both the Atlantic Council and PwC. As such, we are exploring ways to leverage the combined resources of government and the private sector to improve educational outcomes and bridge the talent gap.

More than ever, a basic understanding of personal finance is necessary to succeed both personally and professionally. Improving access to quality financial literacy education is crucial to the employment prospects of future generations. Government has a vital role to play, but the private sector has a wealth of resources and expertise that practitioners and policymakers at all levels should draw on as they tackle this vital issue.

On June 11, 2012, the Council and PwC gathered a cross-section of thought leaders from government, academia, the private sector, and schools from across the nation to discuss the structural issues that inhibit effective financial literacy education and training. While several problems were evident immediately—a lack of sufficient time and resources to teach all required subjects, a severe shortage of teachers qualified to teach finance and economics, and students' unwillingness to learn a subject without tangible benefits—participants shared valuable success stories and actionable solutions. This report outlines conclusions of the meeting and lessons learned from past experience to ensure that future efforts are better coordinated and more effective.

Key Recommendations for Improving America's Financial Literacy

- **Expand the Mandate**
  Students in all states should be exposed to basic economics and learn financial vocabulary from a young age and be required to demonstrate proficiency.
- **Make Financial Literacy Relevant, Real, and Practical**
  Through field trips, internship programs, job shadowing, and classroom simulations, students gain an appreciation of the real world applicability of personal finance.
- **Incentivize Teacher Training**
  Given the continuous flow of mandated curricula and requirements that teachers face, consideration needs to be focused on how to best support, inspire, and appropriately reward teachers who attend financial literacy trainings and bring the material back to their classrooms.
- **Use Technology**
  To fully engage students and leverage the abilities of the best and brightest teachers, online learning programs that expand the reach of the best teachers and lesson plans should be developed.
- **Develop a Test to Measure Impact**
  Without the ability to reliably measure the effectiveness of investment in financial literacy education, the subject is unlikely to gain traction nationally. This can include aligning with the Common Core Standards to track progress in a standardized way from state-to-state.

Financial Literacy as a Skill Necessary to Succeed Personally and Professionally

Without a basic skill set and knowledge base in economics, students face a significant headwind to both social advancement and professional development. An annual survey conducted by the Jump$tart Coalition found that almost 40 percent of high school graduates could not write a check, only one in six realized that stock market returns outpace checking account returns on average over an 18-year period, and perhaps most disturbingly, less than half realized that paying the minimum balance on a credit card would result in higher annual payments than paying off their debts in full each month. Unfortunately, these test results are strongly correlated with social status and income levels—meaning those students in most need of financial education and understanding are faring the worst.

> "In order to be a productive member of the global economy, you have to have the skills, talent, and drive [to succeed]."
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> *-Janet Bodnar, editor of Kiplinger's Personal Finance Magazine*

Career readiness is a core driver of the nationwide push for improving financial literacy. Employers have a strong interest in ensuring the future workforce has the skills necessary to succeed, both for their own sake and for the wider interests of the community. Janet Bodnar, editor of *Kiplinger's Personal Finance Magazine* and moderator of the discussion, emphasized that in order "to be a productive member of the global economy, you have to have the skills, you have to have the talent, and you have to have the drive [to succeed]." Moreover, in a globalized economy where American students are actively competing with others from around the world in most industries, an understanding of the interconnected financial system sets a candidate apart.

Employers must engage with teachers, administrators, and legislators to determine how best to equip teachers with the skills they need to teach financial literacy effectively. Without adequately prepared teachers, future generations of students will continue to struggle, and large segments of the population could be permanently left behind.

Leading experts from government, academia, and the private sector gathered to discuss ways to improve financial literacy education.

Taking Financial Literacy to Scale

Participants Shannon Schuyler, PwC Corporate Responsibility Leader and Edward Placke, Westfield High School Principal.

To date, 13 states across the country have introduced a new high school graduation requirement mandating students take at least one semester of personal or consumer finance or economics. Still, roundtable participants agreed that more needs to be done. Several teachers and administrators called for federal guidelines that would outline a necessary level of financial understanding. Given the increasingly complex set of financial transactions young people make—from taking out student loans to signing up for credit cards—it's clear that students in the other 37 states need at least a minimal background in finance as well.

States often plan requirements and curricula years in advance. That is the case today, as many states are subjecting themselves to national standards such as the Common Core Standards or the Partnership for Assessment of Readiness for College and Career. Financial literacy must be integrated into the list of core subjects or it will be swept to the side and neglected.

Several state legislators at the meeting emphasized that the push to mandate financial education in their states was a difficult and drawn-out process due to the lack of involvement of the education community. Schools and teachers are already subject to a series of state and federal testing requirements that determine funding levels, tenure, and even salaries. Adding an additional requirement without increasing the number of instruction hours or hiring new teachers is burdensome and could prove counterproductive if test scores in other subjects suffer as a result. One way to get around this issue is to offer opt-out testing to measure which students are already financially literate—allowing them to focus on other core subjects and elective courses. The legislative process, already in action in Utah, Virginia, and elsewhere, has valuable lessons for taking the financial literacy requirement nationally: for the idea to succeed, teachers, administrators, and parents need to be convinced of the relevancy and effectiveness of the classes in question.

In Oklahoma, the mandate is integrated as part of the state's College, Career, and Citizenship Readiness Standards. The state's director of social studies and personal financial literacy education, Kelly Curtright, stressed the need for financial education to be added to the list of core competencies. "Citizenship readiness demands that they [students] not only possess basic skills in math, reading, writing, and speaking, but that they also…need to be economically and financially literate." The group agreed that to be effective members of society, students should be able to communicate effectively, be active participants in civic life, and possess basic money-management skills. Students that are economically literate will have better career prospects and are less likely to need government assistance later in life.

Barriers to Financial Literacy: A Shortage of Teachers and a Lack of Hope

Contributing to young Americans' lack of financial literacy is the extreme shortage of teachers qualified to teach the subject. A recent study commissioned by the University of Wisconsin determined that only 20 percent of high school teachers felt prepared to teach basic economics to their students—even as many of these teachers are now being asked to integrate personal finance into their lessons. This startling fact can be traced directly back to the lack of financial education teachers received themselves as well as the lack of a national standard.

South Dakota Secretary of Education Dr. Melody Schopp explained the problem in stark terms: "Teachers don't feel comfortable teaching this material. They don't feel comfortable with their own personal finances, they've never had a class in this, and they're not going to go online and pull it off unless they know they can hit the ground running with it [a financial literacy curriculum]." It is difficult to expect high school teachers without a proper background in economics to teach the subject well. Therefore, step one in any solution must be to ensure teachers have access to the materials they'll need to become financially literate themselves.

Several participating teachers had ideas to improve access to the necessary information, as well as to leverage their own communities to assist in classroom instruction. Companies should commit to providing online training programs—free of charge—as well as in-person tutorials to teachers nationwide. One surefire way to increase attendance and attentiveness is to compensate teachers for the travel and time spent at these sessions.

Jennifer Cummings of Benjamin Franklin High School in Baltimore explained, "There's a way to create and provide incentives to teachers to participate…helping them to manage their own finances, using their own case study to learn, and someone saying if you come to this workshop it literally will help that small salary stretch a little further." While such trainings already exist, businesses need to do a better job of publicizing them, and school administrators should encourage their teachers to take full advantage, rewarding those who do.

Participants Gail Hillebrand, Consumer Protection Financial Bureau Associate Director of Consumer Education and Engagement and Phil Martin, US Department of Education Confidential Assistant for Financial Education and Student Aid.

Participants Ladan Manteghi, Georgetown University Global Social Enterprise Initiative Executive Director and State Senator Karen Morgan, Utah Senate Standing Committee on Education Member.

Teachers must also leverage the resources of their community to demonstrate the real world applicability of economics and personal finance. Local businesses can and should send representatives into classrooms to teach finance lessons. Additionally, taking students on field trips to community banks, real estate companies, and even college financial aid offices can make the benefits of learning about economics more immediately tangible. Hearing directly from professionals and visiting banks and other financial institutions are valuable learning experiences in more ways than one, as students also gain exposure to office environments and see potential career opportunities firsthand.

Perhaps even more troubling than the low number of educators who feel comfortable teaching financial literacy is the prevalence of helplessness among disadvantaged youth. Given their own personal situations, students are often disengaged and disinterested in personal finance. Educators must demonstrate to their students that financial literacy education is relevant and important.

Cummings, a Teach for America teacher, went on to explain: "Education is so far off their radar on their hierarchy of needs. The kids I have had an impact with…are the ones that I have helped change their perception of themselves, helped lessen their learned helplessness." Educators have a difficult challenge convincing young people that their personal financial situation matters when, as is so often the case, their parents have not demonstrated this at home. This is where the quality of the teacher trumps the quality of the curriculum, no matter how well-written or well-intentioned.

"TEACHERS DON'T FEEL COMFORTABLE TEACHING THIS MATERIAL... THEY'VE NEVER HAD A CLASS IN THIS, AND THEY'RE NOT GOING TO...PULL IT OFF UNLESS THEY KNOW THEY CAN HIT THE GROUND RUNNING WITH IT [A FINANCIAL LITERACY CURRICULUM]."

-*South Dakota Secretary of Education Melody Schopp, PhD*

PwC's Earn Your Future

PwC recently announced its *Earn Your Future* commitment, which will focus on two major gaps in the education system: a lack of financial literacy among youth and the lack of training opportunities for educators in the United States.

PwC will invest $160 million—$60 million in cash donations and one million service hours worth $100 million—towards financial literacy and youth education, impacting more than 2.5 million students and educators over the next five years.

Pathways to Success

The group outlined four areas where the public and private sectors could work together at the national and, more importantly, the state and local levels:

1. **Create real-world opportunities for students to learn.** Participants stressed that students would benefit tremendously from internship and job-shadowing partnership programs with local businesses. By giving them a stake in their own financial security through real-world experiences, students can understand how personal finance relates to their daily lives both personally and professionally. Many school districts have introduced schedules where off-site internships and apprenticeships are tied into their curriculum and required for graduation. These should be expanded. Business should also make the case that financial literacy is tied to career readiness to help convince skeptical state governments and school boards that economics should be a high school graduation requirement.

2. **Provide training for teachers.** This is one gap that the group felt the private sector was most well-equipped to fill, especially those companies rooted in math and finance. Providing lesson plans free-of-charge to teachers who are not always comfortable with the complex subject matter, or offering personalized trainings on curricula, can help build capacity and confidence among teachers in the subject—making them more likely to integrate the lessons in their own classrooms.

3. **Harness the power of technology to bring added resources and capabilities into more classrooms.** Given the severe shortage of educators, teachers should make their lessons available online so that schools in disadvantaged and rural areas can have access to quality instruction. Secretary Schopp underlined that in a sparse and spread-out state like South Dakota, you need to identify the best and brightest teachers and bring them to students no matter where they're located. For example, she noted that: "I don't have 152 great science teachers. I have 10, though, who are top-notch. We should be using them, delivering the education, using the instruction time in the classroom to really work those hands-on problem-based learning strategies." Her state has established so-called "innovation schools" that have cut the size of their staff due to budgetary restrictions, but have made up the difference through sharing quality teachers with other districts online. This is a model that should be replicated in other states and districts.

4. **Develop a common metrics system to test results and impact.** The panel emphasized the need for an effective test measuring the impact of these courses—both to ensure funding and to ensure personal finance is considered a core competency. Several panelists, particularly, principals and superintendents, stressed that states do not understand how effective financial literacy training can be, since an aptitude test has not yet been created. Businesses should partner with schools to develop such an exam that ensures students have the necessary understanding of financial vocabulary and basic money-management skills to succeed in the jobs they are seeking to fill.

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