The **FINANCE** PROJECT

Strategy Brief

Providing and Funding Financial Literacy Programs for Low-Income Adults and Youth

By Pamela Friedman

Introduction

Making effective financial decisions and knowing how to manage money are skills critical to enjoying a secure financial future. Yet many individuals and families lack the knowledge necessary to make sound financial choices, as evidenced by falling savings rates, mounting consumer debt, and a growing dependence on alternative banking institutions.[1] These indicators suggest that access to financial literacy programs is a pressing need in our society, especially for groups such as youth and families transitioning from welfare to self-sufficiency.

This brief presents key principles and funding sources for designing and operating financial literacy programs for low-income adults and youth. The brief is intended to give community leaders, policy makers, and program developers a better understanding of effective approaches to providing financial literacy training for low-income adults and youth.

Background and General Considerations

Over the past two decades, changes in personal finances such as decreased personal savings and increased debt, an increasingly diverse population that may not be familiar with the U.S. financial system, and new technologies and marketing strategies have brought the issue of personal financial management to the forefront. Further, changes in employment and public policy have shifted greater responsibility for managing personal finances such as retirement planning and health care options from employers to workers.

With the advent of welfare reform, the number of low-income workers significantly increased. Many of these workers lack the knowledge and tools necessary to

[1] Braunstein, Sandra and Carolyn Welch (2002). *Financial Literacy: An Overview of Practice, Research and Policy.* Federal Reserve Bulletin, Division of Consumer and Community Affairs, Federal Reserve Board. Also see Hopley, Virginia (2003). *Financial Education: What Is It and What Makes It So Important?* Federal Reserve Bank of Cleveland.

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make educated decisions related to budgeting, savings, and investments. As new entrants to the labor market, they are also faced with managing expenses incurred with working, such as child care, transportation, and car maintenance that can place a burden on already limited finances.

Although a wide variety of programs and information offered by the public and private sectors is available to assist families in addressing issues related to financial planning, most do not target these low-income workers or their children.[2] Many families may find the various choices marketed via the Internet and the media to be overwhelming. They may find it difficult to identify options relevant to their personal and family situations from among the myriad of choices available. Moreover, foreign-born residents may be unfamiliar with U.S. financial practices. Language and educational or cultural barriers may discourage some families from taking positive action to manage their finances. Furthermore, first-time homeowners who do not qualify for conventional mortgage loans may fall prey to predatory lenders because they are unfamiliar with the mortgage application process, have questionable credit, or lack information about various lending options. Access to financial literacy training can help address these kinds of issues.

The changing financial landscape also affects our youth. Many are acquiring credit cards while still in school, placing them in debt before they obtain permanent employment. Others are faced with student loans that need to be repaid. Nonetheless, according to the results of a recent survey, most existing high school classes in personal finance do not help students understand the basics of financial management. Although students who did attend financial literacy classes scored better than others, only slightly more than 54 percent of them passed those classes.[3] The same survey also found that most youth learn financial management skills from their parents.[4] However, parents' knowledge of personal finance is limited. These results suggest the need for more effective financial literacy initiatives geared toward helping adults and youth acquire the knowledge and skills to manage and communicate about decisions that affect their material well-being now and in the future.

Principles for Program Design Promoting Financial Literacy for Adults

Research demonstrates the positive impact of financial literacy training for low-income workers, in particular, adult participants in Individual Development Account (IDA) programs. Rand[5] and Moore et al.[6] each found that program participants believed the classes were useful and influenced their motivation to save. Similar results have also been documented for participants in introductory financial education programs. An evaluation of Financial Links for Low-Income People (FLLIP), that tracked participants in both financial management training and IDA programs, found that a majority of participants in each program changed the way in which they tracked household expenses, budgeted, or paid bills.[7]

A large variety of financial literacy programs and model curricula exist. Some are designed and marketed by financial institutions. Others have

[2] Jacob, Katy, Sharyl Hudson and Malcolm Bush (2000). *Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families.* Woodstock Institute.

[3] Jump$tart Coalition for Personal Literacy (2004). *2004 Personal Financial Survey of High School Seniors: Executive Summary.* Coalition for Personal Financial Literacy.

[4] Jump$tart.

[5] Rand, Dory, (2004). *Financial Education and Asset Building Programs for Welfare Recipients and Low-Income Workers: The Illinois Experience,* Brookings Institution.

[6] Moore, Amanda, Sondra Beverly, Mark Schreiner, Michael Sherraden, Margaret Lombe, Esther Y.N. Cho, Lissa Johnson and Rebecca Vonderlack, (2001). *Saving, IDA Programs, and Effects of IDAs: A Survey of Participants.* Center for Social Development, Washington University.

[7] Anderson, Steven G., Jeff Scott and Min Zhan (2004). *Financial Links for Low-Income People (FLLIP) Final Evaluation.* School of Social work, University of Illinois Urbana-Champaign.

been developed by national organizations promoting the need for financial literacy training among many segments of the population. The Cooperative Extension Service and local community-based organizations (CBOs) have also designed curricula. In order for program developers to choose an appropriate program, it is necessary to identify program goals and the target audience.

The ultimate goal of successful programs is to provide participants with the skills needed to effectively tackle personal financial matters and make positive financial choices. In a review and assessment of 90 financial literacy programs, Vitt et al. identified a number of significant characteristics of effective personal financial education, including a clear mission and purpose; accessibility to the target audience; adequate resources; dynamic partnering; a strong, relevant curriculum; and rigorous evaluation.[8] The study also noted that successful programs reflected the learning style and needs of participants by building on their previous life experiences.[9] In addition, the curricula were geared toward participants' general literacy level and written in easily understood language.

Following are three specific principles that can be used in conjunction with one another to design and deliver financial literacy training for low-income adults. These guidelines apply whether programs strive to provide general financial literacy training or are targeted toward a specific goal such as home ownership.

Choose a program that incorporates relevant information and practical examples. Findings from a conference on financial literacy in America, sponsored by the National Endowment for Financial Education (NEFE), suggest that the most effective programs are those considered to be both timely and relevant to participants.[10] When reviewing curricula, consider the scope of training offered. Some cover a wide range of topics, while others concentrate on one or two issues, such as building savings and managing credit. If participants consider program content to be relevant, they are more likely to remain engaged in the training. For example, programs geared to low-income workers may want to include information and forms on work supports such as the Earned Income Tax Credit. Pre-tests conducted in conjunction with FLLIP, the Illinois-based program that provides financial management training to low-income residents, including welfare recipients, found that over 45 percent of participants were unfamiliar with public benefits programs.[11] Information on public benefits was therefore incorporated into the curriculum. Another curriculum developed by Fannie Mae in partnership with First Nations Development Institute, *Building Native Communities,* uses illustrations and exercises relevant to Native Americans.

Individual financial needs and capacities change over time, and adult program participants may bring different levels of experience with financial literacy to any given program. Setting time aside for one-on-one sessions with financial experts is one method to address differences in financial knowledge among program participants. These sessions allow experts to guide participant decisions based on individual financial management capacities and situations.

The use of practical examples enables participants to personalize the concepts being taught and apply them to individual or family needs. Some participants may be intimidated by the financial concepts discussed. The use of practical

[8] Vitt, Lois A., Carol Anderson, Jamie Kent, Deanna M. Lyter, Jurg K. Siegenthaler, and Jeremy Ward (2000). *Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.* Institute for Socio-Financial Studies.

[9] Vitt.

[10] National Endowment for Financial Literacy (2003). *Financial Literacy in America: Individual Choices, National Consequences.* A white paper report on " The State of Financial Literacy in America—Evolutions and Revolutions", Denver, CO, October 9-11, 2002.

[11] Anderson et al.

examples may help them better understand these theories and retain what they have learned.[12]

Choose an appropriate program provider and setting. Community-based organizations, employers, banks, and the Cooperative Extension Service are among the types of organizations that have designed and delivered financial literacy trainings. Each brings different strengths to serving specific populations.

Trainings offered by the Cooperative Extension Service and banks are often geared to the general public. They may not address the specific needs of low-income workers and their families.

Many work-related programs tend to focus on retirement. While building retirement savings is an important goal for all workers, most low-income earners are less likely to work for employers who offer retirement plans. Employers may be encouraged to provide a broader range of programs once they recognize that doing so may have a positive effect on recruitment and retention. For example, Perdue Farms offers employees in two of their Delaware facilities the opportunity to participate in financial literacy training designed to help them save for the purchase of a home near their place of employment. Participants are encouraged to open IDAs as a means to save,

"All My Money" Nationwide Program Targets Low-Income Adults

All My Money is a "train-the-trainer" curriculum for teaching money management and consumer skills to persons working with low-income adults. Recently revised, it was developed in 1996 by members of the Consumer and Family Economics Team, University of Illinois Extension Service, with funding from the Department of Agriculture Nutrition Service. The curriculum is designed to help trainers work with clientele including welfare-to-work participants, homeless shelter residents, IDA program participants, Head Start parent groups, and teen parents. Many of the trainers themselves are low-income. During the training, trainers participate in each of the lessons in the same way their clients will be taught.

Organizations wishing to use *All My Money* can request training by Extension Service staff or purchase the curriculum for self-training. The curriculum consists of eight lessons, including hands-on activities, which can stand alone or be taught as part of a series. It is written for those with elementary math and reading levels. Lessons cover making spending choices, "envelope budgeting,"* planning one's spending, understanding credit and handling credit problems, consumer skills, taking consumer action, and checks and checking accounts. The curriculum was recently revised to update the terminology used, incorporate changes in laws regarding credit-related issues, and reflect current trends such as an increase in the use of electronic banking. It can be adapted to meet local cultural needs, and has been used in a number of cities nationwide. A Spanish version is also available.

An early evaluation of trainers using the curriculum found that 51 percent said their ability to manage money improved after completing the program. Trainers in Illinois participated in a second evaluation in late 2003. Staff trained between July 1999 and June 2002 completed a web-based survey regarding the curriculum. Although the response rate was limited, 88 percent of respondents reported using the curriculum since their training, reaching over 850 clients. In addition, handouts from the curriculum were given to nearly 4,500 clients. All of the respondents agreed that they were more confident about their ability to teach money management and answer money management questions. Contact Karen Chan, 708.352.0109, or chank@mail.uiuc.edu.

* Envelope budgeting refers to the practice of setting aside monthly cash allotments for the payment of usual monthly expenses such as rent, utilities, insurance, and food.

[12] Anderson, et al.

and Perdue uses the program as a recruitment tool.[13]

Although employer-sponsored programs are convenient, research indicates that adult participants are most comfortable in programs offered by community-based organizations.[14] Many community-based programs offer financial literacy training in conjunction with other programs designed to address economic success. Because they serve local residents, these organizations may be more aware of their constituents' needs, and therefore better able to tailor outreach and programs accordingly. Moreover, local residents may be familiar with other programs offered by CBOs and have developed trusting relationships with program operators. Additionally, programs are generally offered at locations and times convenient to community residents.

Choose a model that encourages participants to complete the program. Program participants are more likely to remain engaged and complete training if programs address the specific needs of participants. For instance, financial literacy training geared toward home purchase may be very attractive to those working to become first-time homeowners. Such trainings might include lessons addressing the differences between a broker and banker, the threat of predatory lenders, how to budget, and what the entire process of home ownership entails.

Take the cultural and logistical needs of program participants into account also. Foreign-born residents may be unfamiliar with financial practices in the United States or may come from a culture that encourages community savings as opposed to building individual assets. Effective curricula address these differences by building on

Career Help and Mentoring Program (CHAMP) Provides Support Services in Conjunction with Financial Literacy Training

The Career Help and Mentoring Program (CHAMP) was a collaborative between the National Council of Jewish Women (NCJW), the St. Louis Regional Jobs Initiative (SLRJI), and the United Way operating between 1999-2000. It was taken on as a one-time limited project by NCJW to coordinate with Annie E. Casey Foundation funding for the Jobs Initiative. Administered by SLRJI, the program grew out of the Council's concern about the impact of welfare-to-work on local women and children. It provided financial literacy training for Jobs Initiative participants in an IDA program. Clients, referred by the Jobs Initiative, attended a series of six-week sessions addressing various aspects of personal financial management. "*Making Your Money Work,*" a financial literacy curriculum developed by the Purdue University Cooperative Extension Service, was adapted for use in the training. The hands-on curriculum included a variety of breakout activities and encouraged participants to track personal expenses and develop a family budget. Over the two-year duration of the project, 50 of the 72 participants completed the training.

NCJW volunteers acted as mentors and worked one-on-one with participants. Volunteers were trained on the curriculum in advance. They also participated in cultural sensitivity training prior to working with participants. Evening classes were held at the NCJW office. Transportation, child care, and an evening meal were provided for participants and their children. Credit bureau representatives provided participants with information on their credit ratings and the mentors worked with participants to design individual plans for improving credit. A grant from the Annie E. Casey Foundation covered IDA costs, with matching funds provided by the state. Contact Lise Bernstein 314.542.2269; lmarketing@juno.com, or Gena Gunn, 314.935.9651; ggunn@wustl.edu.

[13] For additional information on Perdue Farms' financial literacy programs, contact Adriana Mason at 302.855.5541.

[14] Vitt.

concepts familiar to participants and explaining how to adapt previously learned practices to current goals.

Limited access to transportation, time constraints, or a need for supportive services often discourage participants from completing training. These deterrents can be avoided if classes are offered in easily accessible locations and supports such as child care are provided. The need for such support services is evidenced by the FLLIP evaluation. Nearly 10 percent of participants who did not complete the training cited child care or transportation problems as their reason for non-completion.[15] Small incentives can also be used to encourage participants to complete programs. Calculators, a monetary stipend, the opportunity to meet with a financial advisor, or a certificate that can be used to open a savings account are among the incentives recommended by program providers.[16]

Financing Programs for Adults

Funds from federal, state, local, and private sources can be used to support financial literacy programs for adults. Private sources include funds from financial institutions and foundations. For example, banks and credit card companies are funding curriculum design and financial literacy program implementation. In 2000, the American Express Foundation initiated its Economic Independence Fund. Administered by American Express and NEFE, the fund supports community-based financial literacy training and a clearinghouse of financial education curricula. The McGraw Hill Companies support a variety of initiatives that promote financial literacy, including the Houston READ Commission.

Federal funds, many of which flow to states and localities, are a significant funding resource. Federal funds take the form of formula or block grants, discretionary or program grants, and direct payments.

The following are examples of available federal funding options.

Glossary of Federal Funding Mechanisms

Direct Payments can be made to individuals, businesses, or institutions to encourage a specific activity. Payments are based on given performance requirements of that recipient, or provided to recipients who meet federal eligibility requirements with no restrictions imposed on how the money is spent.

Discretionary/Program Grants target a specific federal effort and are awarded for a specified amount of time. Depending on program requirements, eligible grantees include state or local public, private, or non-profit entities or collaborations of any of these entities. Grants are competitive and not based on a particular formula.

Formula/Block Grants provide states with a fixed funding allocation based on a formula authorized by law to address particular issues of national significance. Programs and services funded through formula/block grants are particularly important because this funding mechanism gives states significant flexibility in determining how funds will be used to meet program goals. States are typically required to provide a match or spend a minimum of state funds to access these grants. Although states are usually the primary grantees under this funding mechanism, they can further allocate funds to localities and other eligible grantees through subgrants and contracts.

[15] Anderson, et al.

[16] Hopley, Virginia (2003). *Financial Education: What Is It and What Makes It So Important?* Federal Reserve Bank of Cleveland.

- **Adult Education State Grants, U.S. Department of Education.** Adult Education State Grants provide funds to states to support programs that provide adult education and literacy services, including family literacy and financial literacy. Eligible providers include local educational agencies; community-based organizations; correctional education agencies; postsecondary educational institutions; public or private nonprofit agencies; institutions that provide literacy services to adults and families; and for-profit agencies, institutions, or organizations that are part of a consortium.

- **Assets for Independence (AFI), U.S. Department of Health and Human Services.** AFI is a demonstration program established to help low-income families become economically self-sufficient. AFI provides federal discretionary grants to community-based organizations and state, local, and tribal agencies for the implementation of IDA programs. To help clients with their IDA savings, AFI projects provide training and supportive services related to family finances and financial management.

- **Community Services Block Grant (CSBG), U.S. Department of Health and Human Services.** CSBG provides assistance to states and local communities via community action agencies and other community-based organizations to provide activities designed to assist low-income participants make better use of available income and empower them to achieve self-sufficiency. CSBG funds can be used to support financial literacy programs such as those that encourage family financial management.

- **Indian Adult Education, U.S. Department of Interior.** Funds may be used to improve educational opportunities for Indian adults who lack the level of literacy skills necessary for effective citizenship and productive employment and to encourage the establishment of adult education programs. Courses may include life-coping skills such as budgeting. Approximately 140 tribes receive funding to provide educational opportunities for adults. Awards are made on an annual basis.

- **Literacy Programs for Prisoners, U.S. Department of Education.** The program provides financial assistance for establishing

Houston READ Commission: Collaborative Efforts to Provide Financial Literacy Training

Teaching financial literacy is an important component of the Houston READ Commission's goal to enrich the lives of Houstonians by helping them achieve their full potential through literacy and gainful employment. The Houston READ Commission has been providing financial literacy training to both trainers and clients for about five years. Its audience represents non-profit agencies and their constituents throughout the city. Initially, the organization worked in partnership with the National Community Reinvestment Corporation, adapting a curriculum that concentrated on banking skills, budgeting and credit, debt management, and entrepreneurship. Over the last few years, the curriculum has been revised to incorporate additional materials developed by the Fannie Mae Foundation, VISA, and the National Endowment for Financial Education.

The curriculum can be tailored to address specific client needs. In the past, Houston READ Commission partnered with a local organization serving the homeless to provide financial literacy training to unbanked adults through a series of specifically designed sessions. A number of banking institutions and local government agencies were recruited to serve as guest speakers and to mentor the participants. Bank of America currently underwrites the Houston READ Commission's financial literacy program. Previous support was provided by the McGraw Hill Companies. For additional information, visit the Houston READ website at http://www.houread.org/index2.html or contact the organization at 713.228.1800.

and operating programs designed to reduce recidivism through the development and improvement of life skills necessary for reintegration of adult prisoners into society, including the development of communication, job, financial, and interpersonal skills. These discretionary funds can be used to provide grants to state and/or local correctional agencies or correctional educational agencies.

- **Social Services Block Grant (SSBG), U.S. Department of Health and Human Services.** Funds support community initiatives that are directed towards achieving or maintaining economic self-sufficiency and reducing dependence. Among the services for which funds can be used are education and training provided to improve knowledge or daily living skills and literacy education, including financial literacy. The flexibility of SSBG allows states to provide a wide array of social services to a broad population of individuals and families in need. States and/or local agencies (i.e. county, city, or regional offices) may provide services directly or purchase them from qualified providers.

- **Temporary Assistance to Needy Families (TANF), U.S. Department of Health and Human Services.** The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) established the Temporary Assistance for Needy Families (TANF) program. TANF provides parents with job preparation, work, and support services to help them become self-sufficient. Funds can be used to provide financial literacy training and to match deposits made by participants in IDA accounts. TANF has an annual cost-sharing requirement known as “maintenance-of-effort” (MOE). Both TANF and MOE funds can be used to support these purposes.

- **WIA Incentive Grants-Section 503 Grants to States, U.S. Department of Labor.** The federal Workforce Investment Act (WIA) provides flexibility to states and localities for the establishment of broad-based labor market systems. Federal job training funds may be used to encourage basic work readiness and financial literacy activities for adults and youth. The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills of participants. Funds may be used to provide financial literacy training.

Principles for Program Design Promoting Financial Literacy for Youth

Research indicates that early financial literacy may raise the savings rates of youth once they reach adulthood.[17] However, as mentioned earlier, most young people lack the skills needed to effectively budget and save.

Mile High United Way: Financial Literacy Training for Low- and Moderate-Income Adults

With funding from the Assets for Independence Program, Mile High United Way of Denver has provided financial literacy training to over 700 moderate-and low-income adults since the late 1990’s. Initially targeted to Individual Development Account holders, the program has expanded to include unbanked low- and moderate-income community residents. Funds from the U.S. Treasury First Accounts program support this aspect of the training. Initially, two curricula, one developed by NEFE and another designed to address the cultural considerations of local residents, were used to conduct trainings. A number of additional curricula, including a bilingual one developed by the National Council of La Raza, have since been incorporated. Mile High is also collaborating with Wells Fargo to reach the unbanked through employers and community-based organizations, and is working with the Women’s Opportunity Resource Center (WORC) to provide program participants with online access to financial education. Contact Jeri Ajayi at 303.433.8383 or jeri.ajayi@unitedwaydenver.org.

The scope of financial education programs targeting youth vary from those structured to serve all students in K-12 education to those geared toward more specific populations such as youth aging out of foster care. For example, *Building Assets for Your Future,* developed by The Finance Project, addresses savings and asset development for youth aging out of foster care. Training includes a module on specific tools designed to help youth become financially literate; gain experience with the banking system; amass assets for education, housing, and other specified assets; and gain streamlined entry to educational, training, and vocational opportunities. On the other hand, the Jump$tart Coalition for Personal Financial Literacy's curricula are geared to a broader population of school-aged children and youth. Programs stress money management, savings and investing, labor market participation, and spending.

The guiding principles for designing financial literacy programs for adults discussed above also hold true for youth programs. Two additional principles that specifically address youth programs follow.

Choose programs that are age-appropriate and contain content that meets the maturity and learning styles of a younger population. Early familiarity with financial management skills gives individuals a foundation for understanding the use and management of money. Beverly and Clancy cite research findings that indicate youth participants in financial literacy training were more likely to change their spending and savings habits. For instance, they increased savings and gave

Building Assets for Your Future: A Financial Literacy Curriculum for Youth Transitioning out of Foster Care

With support from the Jim Casey Youth Opportunity Initiative, The Finance Project (TFP) developed and tested the *Building Assets for Your Future* financial literacy curriculum. The curriculum was specifically designed for youth transitioning out of the foster care system seeking to enroll in the Jim Casey Youth Opportunity Initiative's Opportunity Passport, an innovative approach designed to help participants learn financial management; obtain experience with the banking system; save money for education, housing, health care, and other specified expenses; and gain streamlined access to educational, training, and employment opportunities.

Prior to developing the curriculum, TFP staff conducted a comprehensive review of existing literature and financial literacy training models developed by government agencies, financial institutions, community-based organizations, and education institutions. Based on this assessment and the specific needs of foster care youth, TFP developed a set of core competencies designed to change the financial behavior of youth and prepare them to manage their money responsibly. The modules focus on actual financial opportunities that participants might consider working toward, such as creating a financial plan, saving, and investing. Other considerations in the structure of the curriculum included:

- making it age-appropriate;
- incorporating local partners;
- designing a set of knowledge requirements that all participants had to meet; and
- engaging family members and other adults to support and enhance learning.

In addition to the core elements of the curriculum, supplementary topics for participants seeking more complex information were reviewed for future inclusion. Contact: Barbara Langford, 202.628.4200, or blangford@financeproject.org.

[17] Beverly, Sondra, and Margaret Clancy (2001). *Financial Education in a Children and Youth Savings Account Policy Demonstration.* Center for Social Development, Washington University, St. Louis, MO.

Banking on our Future: Helping Youth Build Financial Assets

Banking on our Future (BOOF), a model financial literacy program pioneered by Operation Hope, Inc., provides youth with the basic information and core skills necessary for building their financial assets. The program currently operates in eight states and Washington, D.C. By linking volunteer banker-teachers with neighborhood schools, community groups, and beacon programs,* youth are taught the basics of checking and savings accounts and the impact that credit and investment can have on their lives. Since the program's inception in 1996, more than 140,000 youth have participated in the training in 394 schools and 173 community-based organizations. The program provides year-round financial education for youth ages 9-18 at no cost to school districts, and is primarily focused on urban, underserved communities. A formal evaluation conducted in 2004 found that over 50 percent of participants significantly improved their financial literacy skills.

Banking on our Future is a national partner in the FDIC's *Money Smart* financial literacy curriculum, which is used in the financial literacy trainings. Operation Hope has also established a partnership with Wells Fargo to provide free online economic literacy access via its website http://www.bankingonourfuture.org. Additional information can be found at http://www.operationhope.org.

* Beacon programs provide structured afterschool activities designed to encourage empowerment and skills building among youth while integrating school and family supports. Life skills training is one of five core program components, which also include academic achievement, career awareness, community building and recreation.

careful consideration to future purchases.[18] In spite of this, studies indicate that most youth have not participated in financial literacy training.[19]

Most youth experience their first introduction to financial management at home. However, many low-income parents, themselves struggling to make ends meet, are ill equipped to teach effective financial management skills to their children.[20] Findings from a survey conducted for the American Savings Education Council in 2001 indicate that parents overestimate how much they know about finances and underestimate their role in teaching their children about money management.[21] Furthermore, most parents believe that both they and their child's school should be responsible for

Training by Resources for Youth Seeking Economic Justice (RYSE)

RYSE, a project of the Neighborhood Economic Development Advocacy Project, has been in operation for two years. The project provides training, research, and organizing support for youth groups working for economic justice in New York City, and specifically targets youth in low-income communities. RYSE works with youth groups throughout New York City, whose members include high school and college students, youth in foster care, and youth in prison. Among the services provided is financial literacy and justice training. RYSE developed a curriculum that combines personal financial skills with discussions of systemic economic justice issues. It is written at a 5th to 9th grade reading and math level, and can be adapted to meet the needs of specific youth constituents. Although New York-based, the curriculum can be adapted for use by youth groups in other communities, with RYSE providing training for a small fee. Since the inception of the program, 400-500 youth have participated in training.

The project is supported with a grant from the Open Society Institute and other funding from private foundations. Contact: Kat Aaron 212.680.5100, or kat@nedap.org. Additional information is available on the program's website www.nedap.org/ryse.

teaching financial management to their children.[22] Many parents also feel that, because their children do not fully understand the concept of money, they cannot effectively provide them with appropriate financial guidance. Therefore, an introduction to basic financial principles may be a necessary component of financial literacy programs geared toward youth.

Youth have different learning styles than adults. Curricula that use activities and exercises to provide hands-on experience that students can apply to their daily lives may be most effective. Trainers might also consider using curricula that allow participants to influence program content and provide opportunities to interact with adult mentors. Other issues for consideration include:

- Include practical tips and activities to help youth learn important skills. Activities such as balancing a checkbook, budgeting, and saving for future goals help to personalize the training and keep youth engaged.

- Present topics with real-world importance that appeal to contemporary student interests. For example, a module on budgeting may address issues related to saving for and purchasing a car. Related issues such as insurance costs and the factors used to determine how much young drivers are required to pay and why, can also be incorporated into the curricula.

- Provide participants with concrete actions they can take to apply what they learn. For example, review an actual credit card statement to identify minimum payment due, interest rate used, fees, and penalties.

- Include time for self-reflection and opportunities for goal setting. Allow participants time to apply what they have learned to their individual life situations.

Encourage youth to save for future achievement or goals. Utilize relevant ideas that encourage planning for future purchases and educational opportunities that are based on real life options. For example, using the simulated purchase of a car provides an introduction to auto selection, banking, credit, personal budgeting, and insurance.

Also strive to address career development and consumer awareness issues. Young people may not be aware of how their career choice affects their future earning power. Although many older youth may have part-time jobs, they might not be familiar with managing a checking account or may need encouragement to save some of their earnings. Including examples of how earned interest accelerates savings may convince them to routinely save.

The Jump$tart Coalition suggests that young people spend the time necessary to identify their personal financial goals and create a plan for meeting them. To assist with this activity, the coalition identifies 12 principles that reiterate the importance of building savings and credit. They are designed to encourage young workers to budget their earnings and avoid debt. One way to do this is to set aside funds on a monthly basis, both for emergency expenses and for long-range goals. Jump$tart also emphasizes the importance of time in building savings. People who begin saving at an early age have more time to contribute to those savings, and the interest earned on savings will build over time. Incorporating activities that help youth understand how inflation or compound interest directly influence the value of their money can help youth to better understand these concepts.

The importance of credit is also addressed. This allows young people to consider the long-term financial impacts of borrowing beyond one's means. They are encouraged to assess whether

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[18] Beverly and Clancy.

[19] Matthew Greenwald and Associates, Inc. (2001). *Parents, Youth, and Money, 2001.* American Savings Education Council, Washington, D.C.

[20] Greenwald and Associates.

[21] Greenwald and Associates.

[22] Greenwald and Associates.

Juma Ventures First Accounts and Future Fundz Asset Building Programs Incorporate Financial Literacy Training

Juma Ventures, a community-based organization in the San Francisco Bay Area, provides low- and moderate-income youth with opportunities to transition out of poverty through employment and asset building. Juma's First Accounts program is designed to help youth build assets through mainstream banking. The project began in 2002 with a $250,000 grant from the Department of the Treasury. Participants attending a one-time training on the benefits of banking were given the opportunity to apply for a two-year free savings or checking account with Citibank. Over 500 youth ranging in age from 14-24 participated, including those referred by various community partners and those employed in Juma's for-profit enterprises. Juma staff provided the training. Treasury Department funds supported the project from 2002-2004. Currently participation is restricted to Juma youth. Citibank continues to offer the free accounts in partnership with Juma.

Future Fundz, in operation since 1999, is Juma Venture's IDA program. Participating youth are required to complete a financial literacy component prior to opening their IDA accounts. The program is open to youth ages 14-24. They attend training in cohorts of 10-12, allowing each group to receive specialized attention from trainers. Following completion of an orientation and three workshops, participants attend monthly investor club meetings focusing on their particular asset-building goals. Between 1999 and 2003, program participants attended classroom training. The curriculum used was adapted from a number of different sources and included components developed by Juma designed to creatively engage participants. In 2004 Juma made the training available online, but in an effort to adjust for the "real time" needs of participants, will revert to classroom training again this year. To date, over 400 accounts have been opened, of which 260 are currently active. Over its six-year history, Future Fundz has been supported with both federal and private funds. Since 2002, Juma has primarily used AFI grants to provide match for the participants. Contact: Sam Cobbs, 415.371.0727, ext 317, or samc@jumaventures.org.

they can meet loan payment requirements based on their personal income, and how making monthly payments affects their ability to save for the future.

Financing Financial Literacy Programs for Youth

Like financial literacy programs for adults, funds from federal, state, local, and private sources can be used to support youth financial literacy programs. Innovative programs often incorporate resources from several of these sources. For example, Citibank is Operation Hope's exclusive partner in 13 schools in Harlem, and the J.P. Morgan Chase Foundation provides funding that enables foundations, non-profits, school districts, and government agencies to create financial literacy training, services, or lessons developed for a specific curriculum or course. Funded programs include those that are school-based and focused on youth entrepreneurship or workforce development.

Many of the federal funding sources available to support adult financial literacy training also can be used to finance youth programs. A number of additional federal resources are also available.

- **21st Century Community Learning Centers**, U.S. Department of Education. This program is designed to provide opportunities for academic enrichment, including providing tutorial services to help students, particularly those who attend low-performing schools, meet state and local student academic achievement standards in core academic subjects. Funds may be used to support programs that offer opportunities for literacy and related educational development, including financial literacy services, to participating students and their families.

- **Chafee Foster Care Independent Living (Title IV-E),** U.S. Department of Health and Human Services. The program is designed to serve youth under the care of the state welfare agency. Grants may be used to assist youth in making the transition to self-sufficiency receive education, training and related services; prepare for and obtain employment; prepare for and enter post-secondary training and education; provide personal and emotional support to youth through mentors and the promotion of interactions with dedicated adults; provide financial, housing, counseling, employment, education, and other appropriate services to current and former foster care recipients up to the age of 21; and make vouchers available for training.

- **Children, Youth, and Families at Risk Initiative (CYFAR),** U.S. Department of Agriculture. The CYFAR program integrates resources of the Land Grant University Cooperative Extension System to develop and deliver educational programs (including financial literacy training) that equip limited-resource families and youth who are at-risk for not meeting basic human needs, to lead positive, productive, contributing lives. CYFAR supports comprehensive, intensive, community-based programs developed with active citizen participation in all phases. State Strengthening Projects are administered by the Extension Service in all states, which are responsible for selecting community sites for project funding. The state monitors and manages the project and provides assistance in program development, evaluation, and technology training.

- **Cooperative Extension Service 4-H Youth Development Program**, U.S. Department of Agriculture. 4-H programs and clubs are found in both rural and urban areas and are designed to incorporate life skills development (including financial literacy) into an expanding number of delivery modes. Programs are organized through local Cooperative Extension Services affiliated with land-grant universities. Funds are used to support programs and activities for preschoolers through late teens.

- **Transitional Living Program for Homeless Youth**, U. S. Department of Health and Human Services. Grants support programs for older homeless youth that help them successfully transition toward a productive adulthood and self-sufficiency. Funds may be used to support financial literacy training and IDAs. Funds are available to transitional living projects to provide shelter, basic life skills training, and support services to homeless youth ages 16-21 for a continuous period of up to 18 months.

- **WIA Incentive Section 503, U.S. Department of Labor.** WIA authorizes states to use its incentive grant awards to carry out innovative programs consistent with the requirements of any one or more of the programs within Title I of WIA (including youth programs, Adult Education and Family Literacy Act (AEFLA), or the Perkins Act). As a result, states have great flexibility in using these funds. Funds may be used to support financial literacy training.

- **WIA Youth Activities, U.S. Department of Labor**. WIA Youth Activities focus on comprehensive youth services including preparing youth for and succeeding in employment, and offering other services intended to develop the potential of youth as citizens and leaders. Eligible youth are those 14-21 years of age, low-income, and facing at least one of six barriers to employment. At least 30 percent of local youth funds must be used to assist youth who are not in school. Funds may be used to support financial literacy training.

Conclusion

Research indicates that most adults and youth lack the basics necessary to plan for a secure financial future. This is particularly true for adult workers transitioning from welfare to work and at-risk youth. Yet this is a critical skill for self-sufficiency and economic success for these individuals in the present and over time.

A variety of curricula and federal funding sources are available to assist program operators in the design and implementation of financial education programs for both adults and youth. The most successful of these are based on principles that take the specific needs and learning styles of participants into account. These include the use of practical examples, a comfortable and accessible setting, training tools that are age- and culturally-appropriate, and opportunities and encouragement to build savings.

Among the many sources of funding that can support the design and implementation of financial literacy programs are a number of federal grants specifically geared to providing support to programs that target low-and-moderate income adults and at-risk youth.

Resources on Providing and Funding Financial Literacy Programs

Related Finance Project Publications

Connected by 25: A Plan for Investing in Successful Futures for Foster Youth, Foster Care Work Group, March 2004.

"Encouraging Asset Development for Low-Income Workers," by Pamela Friedman, *Issue Note,* Volume 6, no. 7, April 2002.

Encouraging Savings: Financing Individual Development Account Programs, by Michele Miller and Deborah Gruenstein, October 2002.

"Individual Development Accounts," by S. Freed, *Issue Note*, March 1998.

Using the Community Reinvestment Act to Help Finance Initiatives for Children, Families and Communities, by Deborah Gruenstein, April 2002.

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Anderson, Steven G., Jeff Scott and Min Zhan. *Financial Links for Low Income People (FLLIP) Final Evaluation*. Chicago, Ill.: University of Illinois School of Social Work, 2004. Available at http://www.povertylaw.org/advocacy/community_investment/fllip_evaluation_exec_summary.cfm.

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Contact Information for Additional Resources

Board of Governors of the Federal Reserve System
http://www.federalreserve.gov/

Center for Social Development, Washington University
314.935.7433
http://gwbweb.wustl.edu/csd/

Fannie Mae Foundation
202.274.8000
http://www.fanniemaefoundation.org/

The Finance Project
202.628.4200
http://www.financeproject.org/

Jump$tart Coalition for Personal Financial Literacy
888.45.EDUCATE
http://www.jumpstartcoalition.org

Junior Achievement
800.THE.NEW JA
http://www.ja.org

National Council on Economic Education (NCEE)
800.338.1192
http://www.ncee.net/

National Endowment for Financial Education (NEFE)
303.741.6333
http://www.nefe.org

USDA Cooperative State Research, Education and Extension Service
202.720.7441
http://www.csrees.usda.gov/

Woodstock Institute
312.427.8070
www.woodstockinst.org

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About The Finance Project

Helping leaders finance and sustain initiatives that lead to better futures for children, families and communities

The Finance Project is an independent non-profit research, consulting, technical assistance and training firm for public and private sector leaders nationwide. We specialize in helping leaders plan and implement financing and sustainability strategies for initiatives that benefit children, families and communities. Through a broad array of products, tools and services, we help leaders make smart investment decisions, develop sound financing strategies, and build solid partnerships.

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