PMAPS

PREP Studies of Performance Measures and Adulthood Preparation Subjects

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Strategies for Addressing Financial Literacy Within Personal Responsibility Education Programs (PREP)

Purpose of this brief

The Personal Responsibility Education Program (PREP) was authorized by Congress in 2010 and is one of the largest federally funded programs designed to address adolescent pregnancy and sexually transmitted infections and prepare youth for successful transition to adulthood. PREP legislation offers grantees flexibility in designing and implementing programs provided they adhere to certain requirements, including educating youth on three of six adulthood preparation subjects (APSs)*:

- Adolescent development
- Educational and career success
- Financial literacy
- Healthy life skills
- Parent-child communication
- Healthy relationships

Mathematica, and its partner, Child Trends, developed conceptual models to support grantees in implementing each APS, as well as a unified framework that cuts across subjects.

This brief offers guidance to grantees who want to or already address financial literacy in their PREP program. The goal of this brief is to provide additional guidance on financial literacy to support grantees incorporating it in their programs.

*U.S. Congress, Social Security Act, Section 513. Available at https://www.ssa.gov/OP_Home/ssact/title05/0513.htm.

The Personal Responsibility Education Program (PREP), authorized by Congress in 2010, is one of the largest federally funded programs designed to prevent adolescent pregnancy and sexually transmitted infections and prepare youth for successful transition to adulthood. PREP legislation requires grantees to incorporate into their programs content on a minimum of three of six adulthood preparation subjects (APSs). The legislation briefly defined each APS, but it did not provide guidance on which content to include or how to implement them into PREP programs. The Office of Planning, Research, and Evaluation (OPRE) in collaboration with the Family and Youth Services Bureau (FYSB), both within the Administration for Children and Families, contracted with Mathematica and its partner, Child Trends, to develop conceptual models for each APS that highlight how each subject fits within PREP (Clary et al. 2021).[1] Each model includes a definition and theory of change for the APS, outlines content and program design considerations relevant to the APS, and identifies expected outcomes.

PREP grantees offer content on the six APSs with varying frequencies. In 2017–2018, healthy relationships was the most commonly addressed APS topic (96 percent) and financial literacy was the least commonly addressed APS topic by PREP grantees (21 percent) as reported in PREP performance measure data. [2]This brief offers guidance to PREP grantees on how to address financial literacy in their programming. Sections of the brief provide a working definition for financial literacy, highlight the importance of delivering content that is timely, relevant, and developmentally appropriate for youth, and offer guidance on how grantees can build on topics sequentially as youth age. The brief also discusses how programs can align financial literacy programming with the needs of youth from diverse backgrounds and experiences.

What is financial literacy?

The study team developed a working definition of financial literacy that built from the language included in the authorizing legislation and focused on how the subject applies to PREP. The working definition for financial literacy is:

Having the knowledge and skills needed to understand the financial terminology and concepts that enable adolescents to acquire and manage financial resources successfully. Short-term financial literacy skills include opening a bank account, saving, managing credit, and preparing and tracking personal budgets. Medium- and long-term financial literacy skills include knowledge of financial services, interest rates, insurance, debt and credit management, and future planning, including planning for college. Financially literate adolescents understand the implications of their spending on their current and future financial well-being and are able to make careful choices about how to acquire and spend their money and other resources.

Providing youth with financial education and enabling their access to mainstream financial institutions can lead to greater financial capability (the ability to act on financial knowledge). At a stage when youth are beginning to make financial decisions and access financial products, PREP programs promote the development of financial capability by offering targeted financial education and support, and a chance to plan and practice skills through which youth can increase their savings and acquire less debt. Providing financial education and support in conjunction with pregnancy prevention programming may encourage youth to focus on planning for the future and avoiding actions that could prevent them from reaching their long-term goals.

The APS study found no direct relationship between receiving financial education and outcomes related to pregnancy and sexually transmitted infections (STIs) among youth in the literature reviewed by the study team. However, teaching youth financial education and skills in conjunction with pregnancy prevention programming may help them focus on future planning and avoid decisions that could adversely affect whether they reach long-term goals, such as engaging in delinquent or criminal acts or having children before achieving educational goals. Several outcomes might be realized by providing financial literacy programming to youth. In the short term (directly after completing a program), youth may increase their financial capability by increasing their knowledge of financial products and their confidence in how to manage finances (Serido et al. 2013; Johnson and Sherraden 2007; Edelstein and Lowenstein 2014; Varcoe et al. 2005). Six months to a year after a program, youth may reduce or avoid their accumulation of debt and increase their savings and assets through sound financial decision making. In the long term (a year or more after completing a program), older youth who may be making financial decisions may have the opportunity to implement the knowledge they learned to increase their financial well-being.

How do grantees choose and deliver financial education topics that are timely, relevant, and developmentally appropriate?

Financial education should be timely, relevant, and developmentally appropriate to youth at the time they are taught. This allows instruction to capitalize on youth's motivation and life experiences (Danes et al. 2013; Edelstein and Lowenstein 2014; Hines et al. 2011; Newcomb 2016; Totenhagen et al. 2015). Timely programming covers topics when youth are ready to act on what they learn, and relevant programming focuses on areas that are meaningful to youth at their stage in life. Financial education topics that are developmentally appropriate align with the developmental stage of the youth when they receive programming. For example, by timing financial education topics to coincide with youth's labor market entry or decisions about financing postsecondary education, and educating them about financial institutions when they are likely to start using those institutions, PREP programming can link financial education to motivations and experiences that matter to youth in the moment.

In general, financial literacy education covers five topics: (1) spending and budgeting; (2) savings and investments; (3) borrowing, credit, and debt; (4) insurance; and (5) consumer financial protections. Relevant content and implementation considerations within each topic will vary by the age of the youth, so we organize youth into four groups by grade in school: grades 6–8, 9–10, 11–12, and beyond 12th grade. We consider youth in these grade groups separately to account for the different financial decisions they may face at each stage. For example, youth in grades 9–10 may be ready to begin saving for a car or personal items, while youth in grades 11–12 may be saving for housing, postsecondary education, or vocational opportunities.

The remainder of this section discusses financial education content and implementation considerations that would be timely and relevant for youth of typical age in each grade group.[3] In this section, and in table 1, content is presented in the grade group for which it may first be relevant or timely, but programs may need to adjust or repeat topics depending on when youth first receive financial education and other characteristics of youth served.

Timely and relevant financial education content by grade includes:

- **Grades 6–8**. Financial education for youth in grades 6–8 may address basic vocabulary and key concepts, such as why people save, the types of investments available for saving, and the terms "interest rate" and "compounding." Spending and budgeting are timely for middle school youth, while other topics are introduced in relation to future planning. For example, within the topic of spending and budgeting, youth can learn the difference between "needs" (something an individual is required to have to survive, like food or shelter) and "wants" (something an individual would like to have, but is not necessary for survival) and can use those concepts to create a real-life spending plan for themselves. In other topics, such as savings and investment, youth can learn basic vocabulary and begin to understand the reasons that people save, such as for large purchases or unexpected events, and how saving could be relevant to them in the moment and in the future.
- **Grades 9–10.** As adolescents reach an age when they can begin to enter the labor market and become licensed drivers, financial education on spending and budgeting, savings and investments, and insurance become timely and relevant.[4] Information on spending and budgeting can include content about employment in the labor market, as well as entrepreneurship for youth interested in starting a business. Programming in these topics can include educational content, as well as practical applications. For example, programs can partner with a local financial institution to help youth open checking or savings accounts, or have a representative of a bank or credit union speak about financial products and how they may benefit youth. In addition to financial institutions, some nonprofit organizations offer asset-building programs, such as Individual Development Accounts, that can benefit youth by helping youth save for post-secondary education or other savings goals. Education should also continue to cover content relevant for the future in these and other topics, such as borrowing, credit, debt, and consumer financial protections.
- **Grades 11–12.** As adolescents begin to plan for life after high school and become increasingly financially independent, timely and relevant financial education includes more advanced content in all financial literacy topics. Education should continue to cover content relevant for the future as youth prepare for adulthood. Borrowing, credit, and debt are relevant for youth considering postsecondary education. Programs can educate youth about options to finance postsecondary education, including financial aid, scholarships, grants, student loans, and work-study programs and how to evaluate borrowing options for education specifically, including the amount necessary for a degree, repayment schedules, loan forgiveness, and expected future income. For advanced financial topics, such as the costs and benefits of investment vehicles (e.g., stocks, bonds, mutual funds, money market accounts, individual retirement accounts (IRAs), 401(k) s; and employer benefit programs), programs can consider providing additional training for facilitators. Such training could be provided by people with special expertise, such as faculty at a local college or university or employees from a local financial institution.
- **After grade 12.** After high school, adolescents are in a position to make more financial decisions on their own and become increasingly financially independent. Timely and relevant financial education includes more advanced content in all financial literacy topics, with a focus on practical applications. Advanced content addresses developing a budget that accounts for postsecondary education or a full-time career; understanding employer-provided benefits and investment vehicles, including tax-exempt and tax-deferred accounts, individual retirement accounts, and 401(k)s; accessing credit cards and understanding good credit repayment practices; developing practical skills for reviewing insurance policies and filing claims; and what to do if you think you have been the victim of identity theft or fraud. Programs can partner with representatives from a local financial institution to share information about the protections, services, and resources available if youth become victims of theft or fraud.

Table 1 breaks down financial education content, along with examples of practical applications, by general topic and by the age group for which it may first be relevant or timely.

Table 1. Select financial education topics by grade

Topic	Grade*			
	6-8	**9-10**	**11-12**	**After grade 12**
Spending and budgeting	• Spending trade-offs • Wants vs. needs • Budget components (income, expenses, savings, etc.) • Income sources (e.g., wages, interest)	• Employment types and compensation • Cash, debit, and credit cards • How taxes affect income • Entrepreneurship	• Financial trade-offs (i.e., renting vs. buying a home) • Economy's effects on employment, unemployment rates, and compensation • Costs of, and budgeting for, postsecondary education • Philanthropy (money vs. in-kind donations)	• Budgeting while in school or working • Budgeting for daily and monthly living expenses involved in living on one's own
	Practical applications: • Creating a spending plan • Comparing income/ expense scenarios (e.g., did not finish high school, attending community college, unplanned pregnancy)	**Practical applications:** • Creating a budget • Filing taxes • Setting financial goals • Balancing a checkbook • Using online banking tools and apps	**Practical applications:** • Exploring educational costs of career paths • Renting an apartment (e.g. paying deposits, utilities, procuring furniture)	**Practical applications:** • Tracking and maintaining a budget
Savings and investment	• Savings goals • Interest rates and compounding • Investment types • Risk and rates of return	• Savings vs. checking accounts • Insured financial institutions • Factors that affect savings (time, interest rates, etc.) • Factors that affect risk and rate of return (economic conditions, diversification, etc.)	• Economy's effects on savings and investments • Saving for postsecondary education • Saving strategies • Investment accounts	• Understanding employer-provided benefits and investment accounts • Investment portfolios
	Practical applications: • Creating savings goals • Participating in activities to help youth understand savings terminology	**Practical applications:** • Evaluating savings and investment options • Opening checking or savings accounts	**Practical applications:** • Creating a savings plan	**Practical applications:** • Developing investment portfolios
Borrowing, credit, and debt	• Using credit for purchases (loans, credit cards, etc.) • Introduction to costs and benefits of credit sources • Introduction to credit history	• Borrowing types (leasing, rent-to-own, etc.) • Types, uses, and costs of credit • Relationship between credit history and borrowing • Avoiding, understanding, and managing debt	• Financing postsecondary education (financial aid, scholarships, grants, loans, etc.) • Borrowing for other purposes (i.e., buying a home or car) • Evaluating borrowing options (e.g., annual percentage rate, fees, repayment schedules, debt accrued) • Understanding factors that affect credit • Managing credit	• Understanding loans • Credit repayment • Managing debt

Topic	Grade*			
	6-8	9-10	11-12	After grade 12
	Practical application: • Participating in activities that help youth understand credit terminology	**Practical application:** • Comparing costs and benefits of different borrowing types	**Practical applications:** • Evaluating credit reports and scores • Analyzing financial documents (e.g., loan applications)	**Practical application:** • Accessing credit cards (comparing offers, understanding credit applications, etc.)
Insurance	• What insurance is and how it is used • Types of insurance • Introduction to premiums, deductibles, copayments	• Insurance types and features (car, health insurance) • Assessing insurance needs (i.e., individual circumstances, premiums, deductibles, copayments)	• Insurance types and features (property insurance) • Estate planning	• Insurance types and features (disability, life insurance)
	Practical application: • Participating in activities to help youth understand insurance terminology	**Practical application:** • Creating an insurance plan to address need scenarios	**Practical application:** • Evaluating and purchasing insurance	**Practical application:** • Reviewing insurance policies and filing claims
Consumer financial protections	• Being a thoughtful consumer	• Credit and bank protections • Consumer protection institutions • Understanding identity theft • Resources for victims of theft or fraud	• Reliable sources of financial advice (government resources, financial institutions, professional advisors, etc.) • Evaluating trustworthiness of resources or advice	• Responses to identity theft or fraud • Institutions able to assist in cases of identity theft or fraud
	Practical application: • Evaluating goods and services using reliable sources of information beyond advertising	**Practical application:** • Checking bank/credit card statements for irregularities	**Practical application:** • Protecting oneself from identify theft	**Practical application:** • Responding to identity theft or fraud

Sources: Federal Deposit Insurance Corporation [FDIC] n.d.; Consumer Financial Protection Bureau 2015; Hines et al. 2011; Walstad et al. 2010; Franklin 2007.

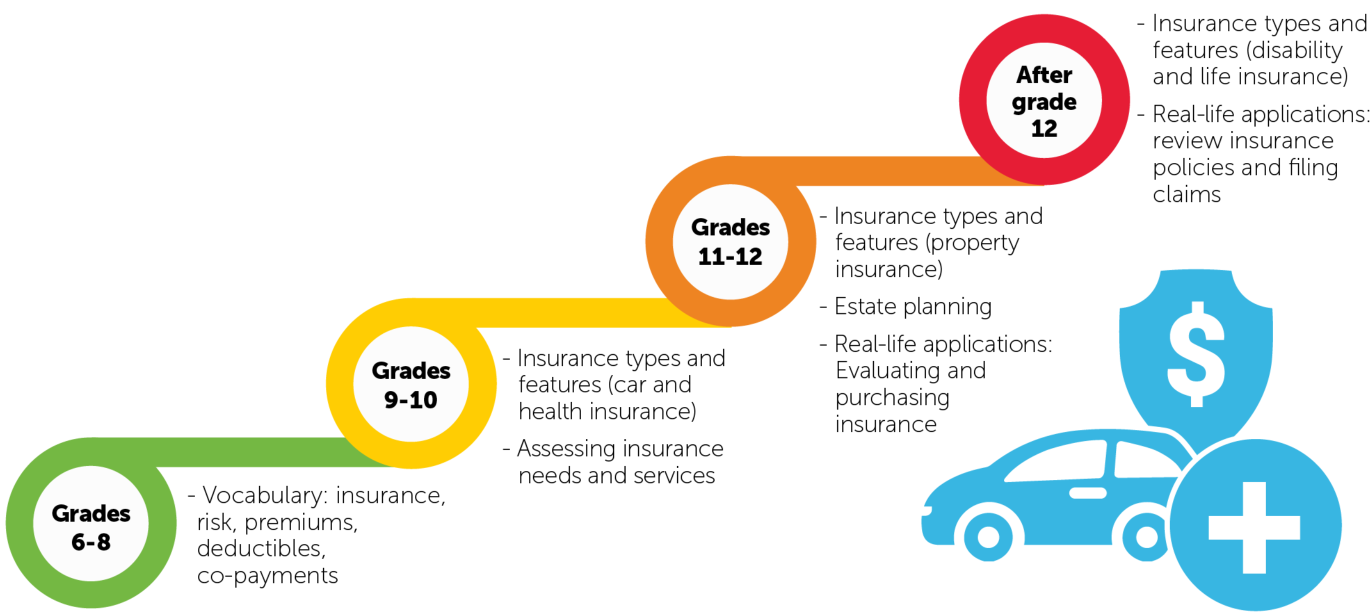
*Content is listed under the age group for which it may first be relevant or timely, but programs may need to adjust or repeat topics depending on when youth first receive financial education and other characteristics of youth served.

How can grantees build on financial literacy topics sequentially?

PREP programs can design financial education so that topics are revisited, reinforced, and build in complexity as youth age. Financial education can introduce basic vocabulary and concepts in grades 6–8, build on the basics through teaching more complex concepts and relevant practical applications in high school, and continue to build complexity and timely skills after 12th grade. Building on topics over time allows programs to cover aspects of a topic, while keeping content relevant and timely for an age group.

For example, for the topic of insurance, programs can start with basic concepts and move through practical applications as they become relevant to youth (Figure 1). For youth in grades 6–8, programs can introduce insurance as a strategy to manage risk and provide an overview of vocabulary, such as insurance premiums, deductibles, and co-pays. Youth can participate in activities or role-play scenarios to expose them to insurance terminology and increase their financial socialization about these topics. In grades 9–10, programs can discuss more complex concepts, such as how premiums vary based on risk factors, and practical applications of insurance, such as obtaining automobile insurance and employer-sponsored health insurance. In grades 11–12 and after grade 12, programs can continue to build on the topic by introducing timely content, such as estate planning; rules and benefits of various insurance products, such as property insurance or disability, health, and life insurance; and developing practical skills such as reviewing insurance policies and working with insurance agents.

Figure 1. Example: Building insurance content sequentially



How can grantees deliver financial literacy programs to youth from diverse backgrounds?

PREP grantees should align financial education content with the needs of youth from diverse backgrounds and experiences (Totenhagen et al. 2015; Danes et al. 2013). It is important to consider the backgrounds and experiences that youth bring to a program that are relevant to financial literacy when selecting topics to address and how to address them. For example, youth who lack financial socialization from their parents (i.e., exposure to financial norms and behaviors), as may happen with youth involved with the child welfare or criminal justice systems, may require education on foundational concepts typically covered at younger grade levels, or additional support such as mentoring and connections to financial institutions and products.[5]

Financial literacy content relevant to diverse populations enrolled in PREP includes:

- **Pregnant and parenting youth:** Budgeting for child care, health care, and other children's needs; completing and filing taxes with a dependent; how time out of the workforce effects compensation; saving for postsecondary education for a child; types and features of insurance relevant for children and individuals with children, such as disability insurance in relation to pregnancy, health insurance, and life insurance; and protecting your child's identity and information.
- **Youth in foster care:** Accessing financial institutions and products with a legal guardian or caretaker or on your own; building emergency savings; renting a dwelling, accessing funds for a deposit, signing a contract, buying food and furniture, and paying utilities; the trade-offs between renting and buying and the practical skills involved in renting or purchasing a home; understanding borrowing options and managing debt; building credit history; preventing and responding to identity theft; and a focus on real-life applications and opportunities to practice skills.
- **Immigrant populations:** Completing and filing taxes with a non-citizen immigration status or without a Social Security number; accessing financial institutions and products; employment and wages; financing postsecondary education, including accessing financial aid, student loans, scholarships, and grants; regulations for accessing insurance related to immigration status; and consumer financial protections and resources for victims of theft or fraud.
- **Youth experiencing homelessness:** Interacting with financial institutions without a fixed address; accessing checking and savings accounts; building emergency savings; renting a dwelling, accessing funds for a deposit at contract signing, buying food and furniture, and paying for utilities; accessing health insurance and other types of insurance; preventing and responding to identity theft; resources available if youth become victims of theft or fraud; and accessing reliable and trustworthy sources of financial advice.

Conclusions

Financial literacy programming can help youth increase their financial knowledge and capability, reduce their accumulation of debt, and increase their savings and assets. More research is needed to identify how financial education could affect outcomes related to pregnancy and STIs among youth in PREP programs, although presenting financial literacy in conjunction with pregnancy prevention programming may help youth to plan for the future and prepare for adulthood. Financial education may help youth when it is introduced in a timely and relevant way, based on youth's age, background, and experiences. At all ages, teaching youth about, helping them plan for, and encouraging them to develop an orientation toward the future are relevant, because people tend to devalue outcomes in the distant future compared to more immediate outcomes (a process called discounting) (Newcomb 2016). By definition, the tendency to discount means that financial education should be an ongoing practice, not a one-time class.

For additional information about other aspects of incorporating financial literacy programming in PREP programs, including the background and experiences youth enter programs with, other program design and implementation considerations, and a detailed discussion of the outcomes associated with financial literacy, see the conceptual model for addressing financial literacy in PREP (Clary et al. 2021).

Endnotes

[1] See Box 1 at the end of the brief for a summary of the study methodology.

[2] The remaining four APSs and the percentage of PREP grantees who implemented each subject during the 2017–2018 reporting year are: educational and career success (26 percent), parent-child communication (50 percent), adolescent development (78 percent), and healthy life skills (83 percent).

[3] Typical age ranges by grade level are: ages 11–14 (grades 6–8), ages 14–16 (grades 9–10), ages 16–18 (grades 11-12), age 18 and older (after grade 12).

[4] Legally, according to the Fair Labor Standards Act, the earliest youth can enter the formal labor market is age 14, though there may be state variation.

[5] For a list of background characteristics that youth might enter programs with—and that might influence financial literacy programming—see Clary et al. 2021.

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Box 1. Methods for developing APS conceptual models

The APS study team developed the six conceptual models using a multi-staged, iterative process. For each APS, the study team followed several steps that incorporated multiple data sources to develop and then refine the conceptual model and description of supporting research. Throughout the process, ACF reviewed the developing models. The steps involved:

1. Conducting a targeted review of research literature for each subject and summarizing information from the reviewed articles to develop the initial APS conceptual models.
2. Working with two consultants on early stages of model development, including drafting initial working definitions and search terms for each APS and reviewing early drafts of the models.
3. Interviewing selected PREP grantees and providers about their APS programming. Topics included how grantees chose APSs to cover, whether they covered APSs through their existing curriculum for the prevention of pregnancy and sexually transmitted infections among youth or through additional resources, and who taught the APSs.
4. Coordinating a stakeholder review to solicit feedback on each conceptual model and supporting narrative. The team engaged PREP grantees, federal agencies, external organizations, and experts

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