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Improving Financial Literacy Education

Considerations for states, districts, schools, and teachers implementing financial literacy education

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Growing Debt and the Need for Financial Literacy Education

American household debt hit a record high of $15.8 trillion in the first quarter of 2022 (Federal Reserve Bank of New York, 2022). The COVID-19 pandemic increased unemployment and consumer debt to record levels between 2019 and 2021, with the biggest increase in student loan debt (12%) during that time. People of color are disproportionately affected by student loan debt (Hanson, 2022), though they typically have less debt than do White people due to factors such as earning less and being less likely to qualify for higher dollar loans. With rising rates of debt, particularly among younger generations—millennials have experienced the largest debt increases in the last 5 years and GenZ consumers struggle the most to make payments (DeMatteo, 2021)—it is not surprising that financial literacy education has been prominent in education policy conversations across the country.

State legislatures are increasingly taking action to promote financial well-being and financial literacy among students (see the inset for a definition of financial literacy). In 2021, 38 states, Puerto Rico, and the District of Columbia considered financial literacy legislation (Morton, 2021). Such legislation spans an array of policies, from efforts to encourage districts to offer financial literacy courses to making financial literacy a graduation requirement. Examples include declaring a Financial Literacy Month, creating commissions to study and make recommendations about financial literacy, requiring a state to adopt financial literacy standards, providing teacher training for financial literacy, requiring districts to offer a financial literacy course, and requiring students to pass a financial literacy course to graduate. In 2022, 13 states have implemented or are in the process of implementing requirements for school districts to offer a financial literacy course, up from 5 states in 2018 (Next Gen Personal Finance, 2022). Moreover, as of 2020, 45 states include personal finance in their education standards, and 23 states require a dedicated course for high school graduation (Council for Economic Education, 2022).

Financial literacy policies are not limited to K–12 education. Some states require financial literacy in higher education. For example, Wisconsin requires postsecondary institutions to provide a financial education workshop for incoming students, Washington requires incoming students at all public universities and colleges to participate in a financial education workshop, and Texas requires state colleges that train K–12 educators to offer personal finance as a course to their students (Pelletier, 2017).

This brief aims to support state education agencies, local education agencies, and other education leaders interested in implementing financial literacy policies. It describes relevant considerations and provides national and regional contexts. The content is informed primarily by the Region 2 Comprehensive Center's (R2CC's)[1] technical assistance in Rhode Island in 2021–22, which entailed supporting state education agency staff to understand districts' current levels of implementation and anticipated challenges with meeting the legislative requirements of financial literacy policies, and it involved helping to develop a Financial Literacy Implementation Guide.

Financial Literacy Defined

Knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial well-being (Hung et al., 2009).

Financial Literacy in Connecticut, New York, and Rhode Island

Financial literacy is represented in the K–12 academic standards of each of the states served by the R2CC—Connecticut, New York, and Rhode Island. Connecticut and New York have financial literacy incorporated into academic standards for other subjects, while Rhode Island recently adopted stand-alone financial literacy standards. However, there is variation across Region 2 regarding course requirements. Connecticut does not require financial literacy to be taken by students or to be offered as a course but does offer a model curriculum that districts may choose to use. In New York, students are required to take a semester of economics to graduate, and financial literacy standards are included in the state economics framework (Kasman et al., 2018; Pelletier, 2017). Rhode Island now requires each school district to offer a financial literacy course for high school students, and, starting in 2024, students will need to demonstrate proficiency in financial literacy to graduate.

Considerations for State Policymakers

As more states move toward implementing various types of financial literacy education—whether course requirements, standards adoption, or use of curriculum materials—there are several points for consideration to support a successful implementation.

Legislation: For states without current financial literacy legislation, consult with interested parties—such as teachers, school boards, families, and students—about what is most needed and whether legislation is the way to achieve those needs. For example, are new standards needed? Is access to high-quality curricular materials a concern? Do some student groups lack access to financial literacy coursework? The answers to these questions will determine next steps and whether legislative action is necessary or if other policies are most appropriate. Consulting with interested parties can also be helpful after legislation has passed. For example, the Rhode Island Department of Education convened a "working group" of educators and community partners to create recommendations for the state's

1 This project was supported by the Region 2 Comprehensive Center, one of 19 federally funded regional comprehensive centers. The comprehensive centers provide capacity-building services and technical assistance to state education agencies to improve education outcomes for all students, close achievement gaps, and improve the quality of instruction. WestEd operates the R2CC, which serves Connecticut, New York, and Rhode Island.

implementation of its new financial literacy legislative requirements. The working group, along with the R2CC, contributed to the state's Financial Literacy Implementation Guide.

State policymakers, such as those in Michigan who passed legislation in June 2022 requiring a financial literacy course for high school graduation, will also need to think about implementation logistics such as the following:

- If a course is required for graduation, consider the data implications: Local data managers will need to have a system to track which students have completed the required course.
- Decisions will need to be made concerning how to handle students who are new to the state and may not have the time to fulfill every graduation requirement.
- Policymakers and other leaders also need to consider whether the teacher force is available to ensure that the courses are taught by teachers trained in the subject matter.

Standards: Consult with educator groups to understand if the current standards related to financial literacy (whether embedded in other content areas or stand-alone) are updated to include newer finance concepts and terminology and attend to equity and inclusion issues. Consider adopting the National Standards for Personal Financial Education, updated in 2021, which identify knowledge, skills, and decision-making abilities that young people should acquire during their K–12 education. These standards provide a framework for a complete personal finance curriculum that progresses through elementary, middle, and high school to prepare students for their lives as smart consumers (Council for Economic Education & Jump$tart Coalition for Personal Financial Literacy, 2021).

The new National Standards are organized across six topic areas with standards and learning outcomes expected by the end of grades 4, 8, and 12. Given that some schools incorporate financial literacy content into other courses, consider whether to identify key standards that must be taught or to leave such decisions to local education leaders. In Rhode Island, state leaders decided not to identify **key standards** because they deemed all standards important and did not want to inadvertently lead to some standards receiving less emphasis during instruction.

Proficiency: Some states may want to require that students demonstrate proficiency in financial literacy to graduate from high school, just as many states have similar requirements for mathematics and reading. Considerations include the following:

- A key decision is whether the state defines proficiency or allows districts to determine their own definitions independently. With the latter approach, consider how to ensure that the students who could most benefit from mastering the knowledge and skills of financial literacy will have the opportunity to do so given the potential for variation in district requirements. In Utah—a pioneer in financial literacy education—proficiency is defined according to student performance on a required, statewide financial literacy standardized assessment.
- Another key decision is how to assess proficiency. For example, would passing a financial literacy course count as being proficient? Or would students need to pass a national, state, or local financial literacy assessment, such as Ready Assessments? Or could completing a project-based assessment that integrates financial literacy topics—such as the National Personal Finance Challenge case study—be sufficient? As of a 2022 report (Council for Economic Education, 2022), only four states (Colorado, Michigan, Missouri, and Utah) require standardized assessments for finance education.

Considerations for District and School Leaders

Proficiency: If the state does not provide a definition of proficiency in financial literacy but students are required to demonstrate proficiency, then local leaders will need to decide how to determine which students are proficient. The same considerations related to assessing proficiency that are described in the prior section for state policymakers apply for district and school leaders as well. If an existing assessment is selected or created, leaders should consult with experts on what score indicates proficiency. Local leaders will also need to determine what accommodations will be permitted for students who may need accommodations.

Course logistics: There are several logistical considerations for local leaders, some of which may differ depending upon the state's course of action and the flexibility offered to districts and schools. One consideration is determining whether a stand-alone financial literacy course will be offered or if financial literacy content will be embedded into other courses, such as economics, mathematics, or social studies courses. There are benefits to each approach—stand-alone courses provide more time to cover all the standards, and integrated courses may be easier

to staff and may be easier to fit in a student's schedule. In Rhode Island, according to the R2CC's 2021 survey of local leaders, most high schools offered stand-alone financial literacy courses, most of which were a semester long rather than a full year. Nationwide, as of a 2022 report, 9 states require a stand-alone high school course to be taken, and 14 states require financial literacy to be integrated into another course (Council for Economic Education, 2022).

Teacher qualifications and professional learning: Local leaders who are implementing new financial literacy standards or curricula need to determine who will teach financial literacy courses—or content, if embedded into other courses—as well as how and when to prepare educators to teach this material. Additionally, leaders need to consider whether there are any implications for teacher licensure and certification related to who is qualified to teach financial literacy material.

A "Financial literacy resources" list, compiled by the Rhode Island Department of Education, includes professional learning opportunities for educators and a list of microcredentials that local leaders may find useful. Additional resources can be found on the Jump$tart clearinghouse website.

Equity: Financial literacy is closely tied to issues of equity. To promote equity through financial literacy coursework, local leaders should consider the following:

- How will financial literacy course offerings and proficiency requirements advance educational and racial equity, particularly for students from demographic groups that have been historically and are currently marginalized (e.g., multilingual learners, differently abled students, students of color), and how will unintended consequences be minimized?
- What data or measures will be used to ensure the district's financial literacy offerings and proficiency requirements achieve the desired equitable outcomes? With what frequency will those data or measures be collected and analyzed? How will they be reported and used to address issues learned from the analyses?

Considerations for Teachers

Supporting all learners: Teachers play a critical role in ensuring that students learn financial concepts to become financially literate. One challenge that teachers will face and need to consider (with the support of their local leaders) is how they will accommodate diverse learners such as multilingual learners and differently abled students. For example, will teachers be trained in pedagogical strategies to differentiate learning? Will extra supports be provided to students who do not advance as quickly through the material as their peers? If so, who will provide that support?

Relevance and equity: Students learn best in authentic learning environments that allow them to relate to their daily lives. Teachers will need to consider how to make the content relevant to students, such as how to open checking and savings accounts during a unit on income and savings. Teachers could invite local banks into the classroom to facilitate the task. Other considerations to promote equity include the following:

- How will the financial literacy course build upon and honor each student's understanding and knowledge base to further their own understanding?
- What are creative ways to draw on students' home languages, academic and personal lived experiences and worldviews, and the knowledge and skills used to navigate social settings? The Rhode Island Department of Education provides more guidance online about how to develop an assets-based stance to instruction

Moving Forward

Given the economic consequences from the coronavirus pandemic, America's young people are facing a world of high unemployment, record-breaking consumer debt, and a potential recession. Providing equitable access to personal financial education is more important now than ever. Fortunately, state and local education leaders are making progress in setting up systems to ensure that students learn the knowledge and skills to prepare them for a lifetime of financial well-being. Education leaders and educators will play an important role in helping students build positive habits, secure college funding, save for emergencies, and make sound financial decisions. For further information on Rhode Island's recent efforts at implementing financial literacy, including a list of curricula and professional learning resources, visit https://www.ride.ri.gov/InstructionAssessment/FinancialLiteracy.aspx

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