Financial Literacy* in Schools

The Credit Union Commitment

***the knowledge of smart spending, wise use of credit and the benefits of regular saving and investing**

Credit Union National Association
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CUNA's Commitment to Providing Financial Education to America's Youth

There is considerable evidence that financial illiteracy has reached record proportions, and its impact has contributed significantly to rising levels of bankruptcy and to lowering the standard of living in general for many American families. Credit unions have traditionally made financial education a part of their mission, and it is apparent that it has made a difference, as credit union members are less likely to declare bankruptcy than the general population. Credit unions will continue their efforts and are encouraged that both the private sector and now the government appear to be ready to make financial literacy a high national priority.

CUNA's written statement to the
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The ideas for this handbook were developed by:

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Introduction

Struggling for economic prosperity is difficult for everyone - and especially hard for young people who've never learned how to plan to achieve financial security.

What we face today, confirmed by poor financial literacy test scores from across the country, is that we, as parents, teachers, and policymakers, don't seem to be teaching our children to avoid the mistakes of spending too much and saving too little.

The consequences of this gap in our country's education is evidenced by the increasing use of high cost credit services, such as payday lenders, as well as the record-breaking number of bankruptcy filings. The Federal Reserve reported that the typical family who filed for bankruptcy in 1997 owed more than one and a half times its annual income in short-term, high interest debt. This means that a family earning $24,000 had an average of $36,000 in credit card and similar debt.

There is a financial education crisis in our country and a need for leadership in combating it. Credit unions, working with our local schools, are ideally positioned to respond because we have always believed in the power of education and information put to practical use.

The credit union movement's tradition of service and its philosophy of self-help make credit unions a natural source of leadership in the fight against economic ignorance.

In terms of dollars and cents, estimates are that the purchasing power of young people between 5 and 19 years old is $150 billion annually. Additionally, until fairly recently, credit card companies and retailers were willing to recognize limitations on capturing youth dollars.

But now, with the advent of online shopping on the Internet, stored-value cards and aggressive credit card solicitation on college campuses, these barriers to youth spending are tumbling - and with them, the natural protections preventing our children from getting into financial difficulties.

The credit union movement pioneered the idea of prosperity through financial cooperation. With the support of lawmakers and teachers, credit unions intend to lead America’s youth to financial self-reliance through education and the benefits of credit union membership.

How Can We Get Financial Education into Our Schools?

- **Increase the Awareness of the Wide Spread Implications of Financial Illiteracy**

The role that financial illiteracy plays in our nation’s social and economic tragedies must be clearly demonstrated to parents, teachers, policymakers and citizens.

Financial illiteracy results in poor spending, saving, and investment decisions. Such poor decisions can lead to consumers using excessive credit, often times at exorbitant rates, just to make ends meet. The stress of financial insecurity can lead to crime, suicide and domestic violence.

Contrary to what many people believe, the effects of financial illiteracy reach well beyond our low-income communities. A high income does not translate into financial security without financial education. Even well-educated, high-income consumers find themselves living paycheck to paycheck because they have not been taught how to budget or manage their money. According to John Caskey’s recent report entitled “The Economics of Payday Lending,” over half of the payday borrowers surveyed reported household incomes of between $25,000 and $50,000 with another 25% of the payday borrowers making over $50,000.

Working together to eliminate financial stress in our nation’s households can benefit our communities in several ways, such as fewer bankruptcy filings, more parents being able to send their children to college, less stress related health problems, and a higher standard of living.

- **Motivate Teachers and Education Boards**

Financial education is a complex subject that no teacher should be expected to teach without sufficient training. Many doctors, lawyers and other highly educated professionals could not pass a financial literacy test without specific financial education training.

Teachers should be required to take financial education courses to receive their teaching accreditation. Not only would this improve teachers’ motivation to teach these courses, but many of our nation’s teachers, like any other group of professionals, would benefit significantly by learning how to make smart spending, saving and investment decisions.

We should never underestimate the value of the time our teachers spend with our children and the influence they have on our children’s development. Providing the best financial education to our teachers, who can incorporate it into every aspect of our children’s learning, may be one of the best investments a community can make to improve its educational program.

- **Pass Laws that Require Financial Education in Schools**

A society of financially literate consumers, who can avoid scams, predatory lenders and the enticement of over-spending will never emerge without laws mandating financial education in schools.

Our schools teach our children how to drive, but not how to finance a car or purchase auto insurance. Our schools require reading, writing, and arithmetic to ensure our children have the necessary foundation to earn a paycheck, but not the financial skills necessary to survive on this paycheck.

Although including financial education as an elective course is a step in the right direction, teenagers should not be expected to understand the significant impact smart spending, saving and investment decisions will have on their futures. To truly combat financial illiteracy, financial education must be mandatory in schools.

The Credit Union Approach to Financial Literacy

A History of Financial Education

Promoting financial literacy has been a primary mission of credit unions since they were established. Edward A. Filene, the father of the American credit union movement in 1908, put it bluntly: “Credit unions are educational institutions.”

In the decades that have followed, credit unions have been leaders in their communities in the effort to promote financial education, both to adults as well as to the younger generation. Over the years, credit unions’ newsletters have included helpful tips to encourage consumers to spend wisely, save regularly, control debt, use credit cards carefully, and plan for the future. Credit unions have educated thousands of consumers through free seminars on everything from buying a car to personal money management.

In the 1970s, credit union volunteers recognized the need to reach out to the nation’s youth. Credit unions formed the National Youth Involvement Board (NYIB) to focus on youth marketing, youth education and youth leadership. The NYIB continues to be very successful in providing financial resources to young people and continues to be a completely volunteer-run organization.

In terms of educating our young people, credit unions have developed and distributed materials for all grade levels, K through 12.

Credit union volunteers have been teaching in classrooms for decades and setting up branch offices in schools to encourage students' interest and involvement in financial education. Currently, 74 credit unions in 25 states operate student-run branches in 238 schools.

Just one example of a credit union savings program for young people is the Safari Club program at the GFA Federal Credit Union in Massachusetts. This program was developed in the 1980s to encourage children under 12 to save. The Safari Club requires only a $2 deposit to open an account and accepts deposits as low as 10 cents. Similar programs are available for older children.

Many other credit unions across the country have offered similar programs for many years and incorporate popular activities and events to get kids interested, such as:

- Drawings for money deposits or savings bonds
- Essay contests for older children: "Why I Love Saving Money"
- Easter parties with egg hunts and bunny visits
- Halloween parties with face painting, pumpkin decorating, haunted houses and costume contests.
- Picnics

- Pizza parties
- Fun runs to support local charities
- Ice skating trips
- Sporting events
- Publishing youth savings club newsletters addressed personally to children

A Future of Financial Education

Although credit unions have been promoting financial education to our nation's youth for many years, we recognize the need to continually update and refresh our approach to educating young people. In the 21st century, the credit union system has initiated a number of new programs to captivate and educate young people in the area of financial education. For example:

- **Celebrating "National Credit Union Youth Week"**

Credit unions have designated one week each spring to bring national attention to how young people earn, spend, save, and manage their money – and how credit unions help them to do this in the best ways possible. National Credit Union Youth Week is the time for credit unions to focus on the financial success of young people and to emphasize what more needs to be done to prepare them for the financial services jungle they are about to encounter as they become adults.

Government leaders across the country, such as Missouri Governor Bob Holden, Wisconsin Governor Scott McCallum and Jackson, Michigan Mayor Martin Griffin proclaimed National Credit Union Youth Week and recognized credit unions' efforts in promoting financial education among youth.

- **CUNA and NEFE Partner to Provide Classroom Materials to High Schools**

The Credit Union National Association has partnered with the National Endowment for Financial Education to work with credit unions to provide financial planning classroom materials and volunteer teachers to high schools around the country. Credit unions are also working with such allies as the Jump$tart Coalition for Financial Literacy and the Cooperative Extension System to bring training into schools.

During the 2001-2002 school year, credit unions distributed financial education classroom materials to over 71,000 students.

- **"Millionaire for a Day"**

CP Federal Credit Union in Jackson, Michigan, hosts the "Millionaire Dinner" for student finalists from 28 area schools. At this dinner one student is chosen as the "Millionaire for a Day". The "Millionaire for the Day" rides to the credit union in a limousine, walks the red carpet and witnesses a million dollar deposit made to his or her account. The winner will keep the dividends earned on the money for a 24-hour period and be taken to lunch with the credit union's CEO.

- **The Demand for Bilingual Financial Literacy Classes Reaches Beyond the Border States**

In Ohio, the credit union system sponsors free Spanish-language financial literacy classes. Many of the attendees are bilingual in Spanish and English but have had little or no exposure to financial institutions in the U.S. The Ohio Credit Union Foundation, Big Bear/Members First CU, OhioHealth CU, Telhio CU, Western CU and The Ohio State University are all participating in this project.

What Challenges
Exist to Requiring Financial Education in Our Nation's Schools?

The responsibilities of teachers today have changed drastically over the years. They are expected to not only be educators, but psychologists, social workers, law enforcers and babysitters.

Furthermore, although teachers are struggling with overcrowded school curriculum, there is no shortage of groups continually promoting the need for additional specialized courses.

While credit unions empathize with the overwhelming struggle teachers are facing with overcrowded curricula and recognize the importance of all of the educational programs being promoted, we strongly believe that financial education must become the priority for parents, teachers, and policy makers.

Financial education, like reading, writing and arithmetic, impacts the well-being of each and every student, as well as the economic and social fabric of our communities.

Developing Financial Education Legislation

CUNA strongly promotes legislation that requires all students to be taught personal finance in grades K-12.

Although mandating financial education is the most effective way to ensure a society of credit smart, savings-wise consumers, CUNA recognizes that the unique political environment in each state will determine the type of financial literacy legislation that will have the greatest chance of passage.

When beginning the legislative drafting process, several options must be considered:

<u>Mandatory vs. Voluntary</u>
Requiring every student in the nation to study financial literacy is the most effective way to develop a credit smart society and combat the negative implications of debt-stressed families and increasing bankruptcies.

However, strong opposition from overworked teachers and fiscal constraints may require the drafting of a financial literacy bill that only requires the schools to offer financial education as an elective.

<u>Integrated vs. Separate Courses</u>
The most effective way to provide students with a comprehensive understanding of personal finance is

to offer a separate financial literacy curriculum as offered by the National Endowment for Financial Education (NEFE). NEFE's six-unit program provides teens with a greater understanding of an ability to manage their personal finances in the areas of goal setting, budgeting, and saving. The program uses unique games, simulation, case studies and interactive exercises.

However, opposition due to overcrowded curricula or fiscal constraints may require the drafting of a bill that simply requires that personal finance lessons be integrated into the current curriculum, such as in economic courses.

What grade levels should be effected?

The most effective way to instill wise personal finance habits into young people is to incorporate them into their lives from an early age. Requiring financial literacy to begin in kindergarten would be the most effective approach to financial literacy legislation, however, financial constraints may make middle school or high school a more feasible alternative in some states.

Should a pilot program be initiated?

In some states, passing legislation that establishes a pilot program requiring financial education in schools has been an effective way to garner support and provide tangible evidence of the feasibility and effectiveness of such programs.

Who will be in charge?

Several other details should also be considered before drafting financial education legislation, such as: which agency will be responsible for compliance, whether the state or local government will control the program, and who will provide the necessary funding.

Sample Provisions

The following are sample provisions that have been introduced in state legislatures across the country:

To Require Financial Education in Schools

- "(a) The course of instruction in all public schools shall include a component on personal finance education to help each student develop an understanding of the appropriate skills relating to the role of money, credit, budgets, financial planning, and other relevant personal finance topics in the student's life, in order to permit students to understand and appropriately manage their finances.

(b) (1) The department shall provide the appropriate method of instruction in grades kindergarten through twelve (K-12), in conformity with the elementary school curriculum provided for in subsection [ ].

(2) Local boards of education may implement additional courses and materials in personal finance education at their discretion.

(c) Each local education agency shall provide the personal finance education curriculum set forth in the curriculum provided by the department, or a comparable program approved by the department."

- *Tennessee SB 1267 (2001)*

- "(1) Every student at a public secondary school in this state shall, prior to graduation, be required to take at least one course in personal finance. The state board of education shall set forth minimum standards for such courses, which shall be implemented and may be exceeded by the local school boards of this state.

(2) The state board of education shall make such rules as are necessary for the enforcement of this section."

- *Missouri HB 536 (2001)*

- "(1) The board shall include elements relating to personal finance as part of the essential knowledge and skill of economics and require personal finance education as a condition for high school graduation. As a condition for accreditation, the board shall require each district to provide instruction in personal finance at one or more appropriate high school grade levels specified by board rule.

(2) The State Board of Education shall adopt rules relating to personal finance education in accordance with Section [ ] of this Act. The rules shall require each school district, as a condition for accreditation,

to provide instruction in personal finance beginning with the 200x-200x school year. In addition, the rules shall provide a transition period for requiring personal finance education as a condition for high school graduation in a manner that does not work an undue hardship on students who are in the junior or senior year of high school during the 200x-200x school year."

- *Excerpt from Texas HB 449* (2001)

<u>To Encourage Financial Education in Schools</u>

- "(1) Any public elementary or secondary school may offer instruction in personal financial management including the teaching of personal management skills and the basic principles involved with earning, spending, saving and investing. Such instruction and subject matter may be integrated into an existing course of study.

(2) The State Board of Elementary and Secondary Education shall adopt necessary rules and guidelines to ensure proper implementation of this Section."

Based on Louisiana SB 212 (2001)

<u>To Provide Financial Education Materials to Schools</u>

- "The State Board of Education shall make available curriculum materials and such other materials as may assist local and regional boards of education in developing instructional programs pursuant to [this section.] The State Board of Education, within available appropriations and utilizing available resource materials, shall assist and encourage local and regional boards of education to include personal financial management as part of the program of instruction offered pursuant to [insert section]."

-Excerpt from Connecticut HB 5509 (1996)

- "The State Board of Elementary and Secondary Education shall establish and maintain a clearinghouse for instructional materials and information regarding model financial education programs and best practices."

- *Excerpt from Louisiana SB 212 (2001)*

<u>To Establish a Pilot Program for Teaching Personal Finance</u>

- "The State Board of Education shall establish a pilot program authorizing and assisting up to five local school administrative units in the implementation of programs on teaching personal financial literacy. The purpose of the pilot program is to determine the best methods of equipping students with the knowledge and skills they need, before they become self-supporting, to make critical decisions regarding their personal finances. The components of personal financial literacy covered in the pilot program shall include, at a minimum, consumer financial education, personal finance, and personal credit.

Prior to selecting the pilot units, the State Board of Education shall develop a curriculum, materials, and guidelines for local boards of education to use in implementing a program of instruction on personal financial literacy. The State Board shall also provide information to local boards of education on securing public and private grant funds and on using other public and private assets to implement the instructional program."

- *North Carolina SB 744 (2001)*

To Develop A Financial Education Curriculum

- "The department of education is hereby directed to establish a task force for the purpose of developing a model curriculum for grades nine through twelve in personal economics, which shall include, but not be limited to, managing personal financial affairs and starting a business. A copy of said curriculum shall be sent to the superintendent of schools for each school district in the commonwealth. The department shall encourage each school district to implement said curriculum, or a variation thereof."

- *Excerpt from Massachusetts HB 3820 (1999)*

- "(1) The Department shall develop or adopt, and shall make available to schools, 1 or more model programs for youth financial education. A program under this section shall be designed to incorporate financial education throughout the curriculum for grades K to 12 and shall be based on the concept of achieving financial literacy through the teaching of personal financial management skills and the basic principles involved with earning, spending, saving, and investing.

(2) Each school district is encouraged to adopt and implement the model financial education programs developed under subsection (1) or 1 or more similar financial education programs.

(3) To the extent that federal funds are available for these purposes, the Department shall use those funds for grants to public schools and other measures to encourage implementation of financial education programs."

- *Michigan SB 737 (2001)*

To Establish Student Education Programs.

"A credit union is allowed to establish part-time deposit-taking locations at elementary and secondary schools provided that the locations are established in connection with student education programs approved by the school administration and consistent with safe and sound financial institution practices. For purposes of this section, students do not need to be members of the credit union to participate, and the students' parents are not eligible to become members solely by reason of their child's participation."

Minnesota 1995 c 202 art 2 s 20

To Create a Center on Financial Literacy

"There is created within the State Board of Education a Center on Financial Literacy for the purpose of providing technical assistance to school districts. The Center shall also maintain an advisory committee comprised of representatives of the financial community to advise on the implementation of the program. The Center shall coordinate and support the development of several alternative curriculum models which focus on the learning needs of students. Appropriate assessment instruments shall be developed for the alternative curriculum models."

- *Illinois, 2002*

To Address Curricula, Public/Private Partnerships, Grants, and Staff Development

"In order to improve the financial literacy of [State] students in grades ___ through ___ in public schools, the State Board of Education shall assure additional personnel development opportunities and a specific curriculum focus in this area, encouraging the provision of such services through a public/private partnership approach whenever feasible. The State Board of Education may enter into contracts and award grants to school districts, the regional educational service centers, [State] colleges and universities, and other not-for-profit organizations devoted to financial literacy, to provide in-service staff development for [elementary and secondary] teachers.

The State Board of Education may provide grants for colleges and universities to develop, review and revise the curriculum in financial literacy in order to address an intensified focus on financial literacy.

The State Board of Education shall provide competitive grants from funds appropriated for this purpose to school districts, [State] colleges and universities, and not-for-profit organizations devoted to furthering the mission of financial literacy, to develop a pilot curriculum, instruction and assessment in financial literacy in order to improve student literacy levels.

Any programs or services funded by grants made under this section may be offered to private school teachers and private school students, provided public schools have already been afforded adequate access to such programs and services.

The State Board of Education shall establish criteria for implementation of this program."

- *Illinois, 2002*