Why is Financial Education Still Important?

Helen Hammond Redding
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Agenda

• What is the ultimate goal of financial education?

• Financial Education in the U.S.: High School Students

• Financial Education in the U.S.: Adults

• Where do we go from here?

• Citi’s Financial Education and Asset Building Program
What is the Ultimate Goal of Financial Education?

• The ultimate goal of financial education is not to increase an individual’s score from pre-test to post-test.

• Financial education is only successful when an individual has made a change in his/her financial behavior, which is evident in the accumulation and/or preservation of assets.
Financial Education in the U.S.: High school students

• While the environment for providing financial education in schools is improving…
  – Twenty percent of U.S. high school graduates have completed a semester-length course in personal finance*
  – The number of states with content and implementation standards in schools doubled from 14-28**
  – Seven states require a personal finance course prior to high school graduation

• …financial literacy hasn’t necessarily followed suit.
  – “Five consecutive surveys by the Jump$tart Coalition have found no evidence that teaching personal finance in high schools has improved students’ ability to understand and use financial information.”*

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*Mandell, 2009
**Walstad, Rebeck, MacDonald, 2009
Have our attempts to improve financial literacy in high schools failed?

• Post-test performance is not necessarily a direct indicator of financial behavior; indeed, financial education has an **emotional** impact on students.

• School-based financial education has long-term benefits on **financial behavior** when former students are able to participate financially as adults.*

• Students who took a high school course in personal finance tended to save more of their income in middle age than those who did not take such a course.**
  – Financial education has a positive impact on building and preserving assets.

• Financial attitudes are impacted by financial education classes in high school:
  – *Financing Your Future* students improved their financial attitudes and “were somewhat more consistent with responsible financial behavior.”***

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* Mandell, 2009  
** Bernheim, Garrett and Maki, 2001  
*** Walstad, Rebeck, MacDonald, 2009
Financial Education in the U.S.: Adults

- Most of the work on improving financial literacy has been focused on adults and is targeted at changing specific financial behavior.*

- Adults who know more in the areas of cash-flow management, credit management, saving, and investment tended to have higher “scores” in their financial practices.**

- In a follow-up study of adult students 2 years following the completion of a personal finance course, changes in financial attitudes improved significantly***

<table>
<thead>
<tr>
<th></th>
<th>Pre-test</th>
<th>Post-test</th>
<th>Follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have a good understanding of how to manage my finances</td>
<td>21%</td>
<td>31%</td>
<td>42%</td>
</tr>
<tr>
<td>I think it is important to pay my bills on time</td>
<td>73%</td>
<td>77%</td>
<td>86%</td>
</tr>
<tr>
<td>I am confident about my financial future</td>
<td>23%</td>
<td>40%</td>
<td>48%</td>
</tr>
<tr>
<td>I think it’s worthwhile to review my credit report regularly</td>
<td>38%</td>
<td>55%</td>
<td>68%</td>
</tr>
<tr>
<td>I trust that banks are able to keep their customer’s money safe</td>
<td>32%</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td>I believe I can establish a good relationship with a bank</td>
<td>37%</td>
<td>52%</td>
<td>53%</td>
</tr>
<tr>
<td>It is important to have long term investments for retirement, child’s tuition, etc.</td>
<td>66%</td>
<td>71%</td>
<td>70%</td>
</tr>
<tr>
<td>It is important to save money for unexpected emergencies</td>
<td>74%</td>
<td>67%</td>
<td>86%</td>
</tr>
<tr>
<td>I believe I can achieve my financial goals</td>
<td>47%</td>
<td>64%</td>
<td>50%</td>
</tr>
</tbody>
</table>

*Hilgert, Hogarth, and Beverly, 2003
**Hogarth and Hilgert 2002
Financial Education in the U.S.: Adults, cont.

- More importantly, those same students had significant gains in sound financial practices*:

<table>
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<th>Pre-test</th>
<th>Post-test</th>
<th>Follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget for managing and tracking expenses</td>
<td>43%</td>
<td>54%</td>
<td>43%</td>
</tr>
<tr>
<td>Financial plan to manage overall spending, saving, and investing</td>
<td>36%</td>
<td>59%</td>
<td>66%</td>
</tr>
<tr>
<td>Pay bills on time</td>
<td>71%</td>
<td>75%</td>
<td>79%</td>
</tr>
<tr>
<td>Balance checkbook each month</td>
<td>41%</td>
<td>58%</td>
<td>44%</td>
</tr>
<tr>
<td>Have money saved for emergencies</td>
<td>37%</td>
<td>47%</td>
<td>56%</td>
</tr>
<tr>
<td>Have money saved for long-term goals</td>
<td>23%</td>
<td>33%</td>
<td>53%</td>
</tr>
<tr>
<td>Checking account</td>
<td>65%</td>
<td>75%</td>
<td>78%</td>
</tr>
<tr>
<td>Savings account</td>
<td>62%</td>
<td>74%</td>
<td>65%</td>
</tr>
<tr>
<td>Mortgage/Homeownership</td>
<td>21%</td>
<td>32%</td>
<td>18%</td>
</tr>
<tr>
<td>Retirement account (401K, IRA)</td>
<td>21%</td>
<td>38%</td>
<td>27%</td>
</tr>
<tr>
<td>Long-term investment (bonds, mutual funds)</td>
<td>10%</td>
<td>28%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Where do we go from here?

• Financial Education continues to grow - we continue to learn new ways to construct, implement, test, and monitor to better understand success.

• The need to focus on the end goal of financial education - the accumulation and/or preservation of assets - is key to our success and should be incorporated into financial education programs.

• Consider reaching children prior to high school to make a more lasting emotional impact with respect to their personal finances.
Citi’s Financial Education and Asset Building Program

• Citi and the Citi Foundation direct resources toward financial education and asset building programs to help individuals, families and entrepreneurs learn to manage money effectively, use credit wisely and understand how financial services can help them achieve their personal and business goals.

• Through our programs, we encourage individuals to put knowledge about budgeting, savings, money management and homeownership into practice in order to achieve long-term behavioral change and lasting results.

• In 2008, Citi businesses and the Citi Foundation provided over $27.9 million ($5.5 million and $22.4 million, respectively) in support of financial education programs across 73 countries and U.S. territories, touching the lives of 20.8 million people worldwide.
Citi Foundation: Financial Education and Asset Building Programs

Saving for Education, Entrepreneurship, and Downpayment (SEED)

• Citi Foundation co-funded SEED, a policy, practice, and research initiative to test the efficacy of and inform a national Child Development Account (CDA) policy.

• The initiative combined financial education, an initial deposit for each participant, and a 1:1 deposit match for over 1,700 participants.

• Overall, about 57% of participants had positive net contributions to their accounts.
Homeownership Preservation Efforts

• More than ever, financial education plays an integral role in helping individuals and families make sound financial decisions and preserve their most valuable assets, especially their homes.

• In 2007, Citi established the Office of Homeownership Preservation to partner with community organizations across the country engaged in financial education, pre- and post-purchase homeownership education and counseling, as well as foreclosure prevention outreach.

• Since early 2007, Citi has helped approximately 370,000 families avoid foreclosure on their homes through loss mitigation actions and proactive modifications.

• Citi’s comprehensive loss mitigation efforts have kept approximately six distressed borrowers in their homes for every one foreclosure completed in 2008.
Citi’s Commitment to Financial Education in Illinois

Asset Building

• Center for Economic Progress Voluntary Income Tax Assistance Program
• Mercy Housing
• Spanish Coalition for Jobs
• Illinois State Treasurer’s Smart Women, Smart Money Conference
• WVON Financial Seminars

Financial Education

• Operation Hope
• Junior Achievement
• Teach Children to Save
• Illinois Council on Economic Education – Stock Market Game
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