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CAN ASSESSMENT IMPROVE HOW PERSONAL FINANCE IS TAUGHT?

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ABSTRACT

This research finds the delivery of personal finance education varies. Often national and local providers carry out this education by using providers ranging from salespeople to not-for-profits. Each entity brings its own motivation and objective. As a result, the delivery model for financial education varies and lacks coordination leading it to be ineffective and inefficient. By understanding the motivators and goals of both providers and learners this study recommends a collaboration of efforts. This collaboration encourages national providers to focus less on curriculum development and more on improving the educational practices. Local providers are then able to provide education based on client needs. At the national and local level providers should engage in more assessment. This research contributes to current literature by reinforcing that planning and coordination of personal finance curriculum is important. It finds the need to value and respect each stakeholder is key to long-term success. It also encourages all parties to improve their efforts by managing change.

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INTRODUCTION

The financial world today is more complex than just a few years ago. A generation ago, understanding simple banking products like a checking and savings account would have been enough to manage one's personal finances. According to Alan Greenspan (2003), today's consumers must be able to distinguish between a wide range of products, services, and providers of financial products. Credit card debt is occurring at a younger age, resulting in the need for a more comprehensive understanding of credit. This includes understanding the impact of compounding interest on debt balances and the implications of mismanagement. In addition, technological advances contribute to the want for more information, while an increase in transaction speed (Wilhelm & Chao, 2005) creates a need to understand decision making. There is an increased need for financial education. Financial products are increasingly complex. The use of debt is also occurring at an earlier (Grieb, Hegji & Jones, 2001). Fraud and identity theft have become are commonplace concerns. Low wages create another stress and undermine the common standard of living increasing new bankruptcy filings (Rhine & Toussaint-Comeau, 2002). Many students lack an understanding of financial basics, including: bank accounts, credit cards, savings, investments, taxation and basic economics (Mandell, 1997). A study conducted by the FINRA Investor Education Foundation, found many Americans lack the financial ability to make good financial decisions (Serido, Shim & Tang, 2013).

A phenomenon that exists is that much of the effort of personal finance education is ineffective (Muske & Winter, 2004) and inefficient (Davis & Carr, 1992). This results in a disconnection between educators and learners (Muske & Winter, 2004). The stated goal of most personal financial education programs is to help learners achieve financial security (Muske & Winter, 2004), however, research on this goal is inconclusive. This further displays the need to incorporate assessment tools into program delivery. Many studies discover that recommended practices can offer long-term wealth collection (Godwin, 1990a) but are often minimally used (Beutler & Mason, 1987). This gap between education and action leads this research.

Questions surround why so few people use the education (Davis & Carr, 1992), learner versus educator motives and needs (Muske & Winter, 2004; Rettig & Schultz, 1991).

This article seeks to answer the question: how can the organizations delivering personal finance education change to make the education more efficient and effective? This article seeks to understand the present role and possible future role of both national and local personal finance educators. Also, this research aims to suggest improvements on possible roles. One study, stressed three major ways education can improve. These include curriculum integration, teacher training, and a client focus (Cross, 2010). The researcher hypothesizes that a more coordinated effort, without dictating a national curriculum, would improve the effectiveness and efficiency of personal finance education. This paper contributes to current literature by assessing many different providers of personal finance education and linking the learner's success to the effective use of the provider. The balance of this article includes: a literature review on how each provider can best meet the needs of learners, a method on how these providers can move forward, and concluding comments.

LITERATURE REVIEW

This paper serves as a literature review of important research about personal finance education. The researcher has analyzed over fifty peer reviewed articles on personal finance education to develop an understanding of improving industry effectiveness. The paper divides the content into two sections: understanding the need for assessment by looking at the current delivery and understanding the need for planning to arrive at its conclusions. Today, delivery of personal finance education comes from many different educators by many different methods. National programs such as the National Endowment for Financial Education, Cooperative Extension System, and National Foundation for Consumer Credit have created programs. There are also many local social service organizations, not-for-profits, financial planners, and financial institutions have designed programs to teach personal financial education.

In general, programs design allows educators to carry out accepted core curriculum. These items include: setting financial goals, keeping good records and inventorying possessions, creating a budget, and understanding how to make smart buys. Educators encourage the good habit of writing down and updating records as well (Muske & Winter, 2004). Today, the education delivered often focuses on the educator's needs rather than the learner. The educational content is self-designed by the educator using some advice from national programs. This can create a routine for delivery of content that involves little creativity or flexibility. Delivery focuses on reducing the time and effort to prepare lessons for the educator rather than focusing on the needs of the learner (Muske & Winter, 2004).

Assessing the effectiveness of current programs is difficult for several reasons. First, learner attitudes and needs may change during learning (Haynes-Bordas, Kiss, & Yilmazer, 2008). Next, learner readiness needs evaluation. Finally, is understanding the intent of the learner taking part in the program. For example, a learner that is self-motivated to change their life needs a different measurement (Caskey, 2006) than a learner that is under court order to earn a certificate of completion (Haynes-Bordas, et al, 2008). A major issue in education is that too few educators are using assessments to close the education loop. They are not studying assessment findings to uncover what can improve learning. For local entities, reviewing comments may be something they have never thought about or do not see the value (Banta & Blanich, 2011). The assessment includes several steps. Though there are many varieties of assessments, some common identifiers include: asking what needs done, planning the work, carrying out programs, analyzing and reporting findings, and closing the loop. Upgrading assessment efforts must occur to ensure improvement in content and delivery, ultimately driving improvements in student learning (Banta & Blanich, 2011).Including assessment in the objectives embraces the discipline allowing delivery of education to be more effective. Currently, the delivery of much education involves telling learners what they did wrong, often resulting in low motivation (Bishop, 2014).

Educators who use assessments to uncover ways to improve learner education focus on the positive of change rather than taking a punitive view. A push for standardized curriculum rises at times. The goal is to have benchmarks to measure program impact (Lyons & Neelakantan, 2008). Though a standard curriculum can be helpful, both educators and learns can view it with negativity and actively resist the change (Banta & Blanich, 2011). Local education providers have a wide variety of reasons to deliver personal finance information. Though done with good intents, other less genuine motives could be significant. For example a salesperson may look for a commission, a not-for-profit may focus on donor wishes and a school on mandated curriculum. Understanding these needs can exist is significant to the delivery of personal finance information and not ignored. Forcing these providers to comply with a national curriculum could discourage their efforts, cause issues with sponsors and possibly encourage them to stop providing financial education. Any changes suggested need to aim methods to encourage these providers to improve rather than conform.

What are positive items we can learn through assessment? By closing the loop, organizations could discover if their programs are effective at personalizing service and connecting with the learners. Educators should continue to use identified strengths and work to reduce identified weaknesses. Many local efforts have a strength in their ability to adjust to learners' needs. Several examples of successful local education efforts and what made them special exist. In Oklahoma, Reality Check could create local events by contacting schools, calling for volunteers, and overseeing the program by running a grassroots organization (St. Pierre, Simpson, Moffat & Cothren, 2011). In New Jersey, the MONEY 2000 program could successfully keep its learners in all-day education sessions by making the delivery personal (O'Neill, Bristow, & Brennan, 2000). In New York, a program help to decide biases in consumer decision making to explain participation in financial markets (Gathergood, 2011). Finally, in Indiana the Get Checking™ program had success with learners being the primary referrer to the program for new participants (Haynes-Bordas, et al, 2008). It is important to keep these programs motivated and delivering education using personal touch. Assessments can identify negatives. A students' ability to learn, recall knowledge, and apply skills taught ties to a teacher's competency in financial literacy (Cross, 2010). By closing the loop, organizations may find that individuals providing the education, lack preparation to deliver the education. Educators, in this case, need to understand the issues they bring and find methods to improve their own knowledge to better deliver content.

The lack of qualified instructors is a major weakness to many local education providers. One study found that only 66% of social workers felt "very confident" in the information they were providing (Despard & Chowa, 2013). In another social workers study, it also found that many of the topics taught to low-income learners were not ideas the educator was familiar with such as predatory lending (Anderson, Zhan, & Scott, 2007). Yet another study found that individuals often feel uncomfortable teaching personal finance ideas unless they already have a strong understanding of finance and economics (Cross, 2010). In the personal finance arena there is a disconnection between the individuals delivering education and learners' needs. One challenge is the information is interdisciplinary in nature, including several competing views (Bishop, 2014). Educators, often fail in connecting theory to practice causing a weak exchange (Lyons & Neelakantan, 2008). Another challenge is there is no formal definition of financial education. The range of definitions involves helping people change their behavior (Lyons & Neelakantan, 2008) to identifying the value of becoming a millionaire (Lim, 2011). It is certain that households will make financial mistakes and to improve they need to recognize the mistake and change behavior (Lyons & Neelakantan, 2008).

Through nonprofit partners, The California Department of Education chose to train and develop educators in personal finance allowing them to become more comfortable with the educational material. This approach was taken instead of a legislative or top-down administrative one. The model of public-private partnership provides greater flexibility to deliver professional development to both licensed teachers and those working to become licensed and working in California. Results have found that after the training, instructors teaching personal finance were more confident and motivated after receiving training (Cross, 2010). A goal for providing effective financial education is to provide the tools to recognize mistakes and know how to work towards a resolution. Organizations need to educate its local educators, providing them with the opportunity to learn both the theory and practical application of personal finance. By performing assessment in personal finance education, the educators could better meet the needs of the clients. For example, many programs work to encourage decreased spending as a means to save. In disadvantaged populations this does not work (Scholz & Seshadri, 2007) and an alternative tactic may be encouraging employment with higher earnings. Performing an assessment recognizes that adjustments are sometimes necessary for learner presentations. Adjustments can be as simple as looking at the learner's age and socioeconomic status to create a curriculum based on similar learners' needs. This can also be a way to address normal life events at a given stage (Kotlikoff, 2006).

A PATH FORWARD

An approach for making personal finance education more effective would be to coordinate the different providers based on their ability to make a positive impact. National providers of personal finance education have access to significant financial resources to develop curriculum. Making more of an effort to help local providers understand the importance of assessment by providing training and access to more tool. Local personal finance instructors can use the national curriculum, improving it to more directly connect with the needs of the learners. All providers should understand the reason they are providing personal finance education and continue to follow their mission and meet the demands of donors and funders.

CONCLUDING COMMENTS

The goal of this research was to identify a way to best deliver a national level personal finance curriculum with delivery by local financial educators. The goal is to create and deliver a more comprehensive, efficient, effective, and flexible education platform. The eventual aim is to improve the understanding of credit, savings, management and collection of personal financial planning knowledge. To perform this, a review of existing literature was completed. A review of peer reviewed articles was completed across the topics of assessment and planning. A key finding is the disconnection between educators and learners, resulting from a lack of effective assessment. The gap between education and action of learners is a key finding as well. This was, in part, because of varied levels of learner readiness and program content. Learner results were stronger when local educators took the effort and given the ability to adjust to learner needs. Better assessment tools can be a bridge to close the gap between curriculum and meeting learners' needs.

This research has several important conclusions. The conclusions aim to streamline the delivery efforts of each financial education partner to capitalize on their strengths. First, the national platforms for personal finance education should focus less on curriculum development and more on improving the educational practices. It is difficult for standardized curriculums to be motivational locally. Instead, national programs should focus more effort to provide local educators with information on techniques to understand the natural education cycle and how to improve delivery. This focus would include items such as encouraging education for the individuals teaching financial education, focusing the education on client needs, and using feedback to assess and improve the education delivery and content. Second, encouragement should be given to local providers to provide education based on client needs. This practice is in action today; however, this research suggests how to provide access to help and guidance to be a good teacher and prepare a teacher for their role with learners. These conclusions contribute to the current literature in several ways. First, it brings into the spotlight the importance of planning and coordination of personal finance curriculum. Second, it highlights the need to value and respect each sponsor. Whether it be a teacher, student, organization or donor to understand their unique ability to help better deliver personal finance curriculum. Third, it encourages all parties to improve their efforts with manageable change.

The limits of this paper included a lack of statistical analysis and review of existing or proposed assessment tools. In addition, this research did not look at funding sources to carry out assessment and education needs. Future research may include several items related to further strengthening education delivered. This research could include matching the needs of donors to programs to secure future funding. Other research can include the impact of teaching the assessment process by national providers to local educators. Research at the local level can use assessment tools to measure program effectiveness.

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