

TeachingFinancialEducationsm Project

A National Urban Alliance Financial Literacy Initiative



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Teaching Financial Literacy Education needs to be on the forefront of economic policy and education.

“Literacy in schools often refers to reading, writing and arithmetic. However real life learning, as demonstrated by our current economic crisis, reinforces our belief that the teaching of financial literacy should no longer be an option for the children in our nation’s schools. Our job is to help teachers integrate financial literacy into existing curriculum and to make learning relevant to the needs of today’s students.”¹

- Dr. Gerald Lauber, National Urban Alliance

It has become increasingly evident that nations around the globe are still in the grip of the worst economic freefall since the Great Depression. Crisis, as we know, also provides opportunity. Over fifty years ago, the launching of Sputnik jarred our national view of science education and provided the impetus for refocusing our nation's priorities. Today this epic financial crisis must turn our attention to how and what we teach our children about sound financial practices. America's promise, self-actualization for all citizens, should be founded on education and critical thinking with an emphasis on financial literacy.

For decades, our education system has failed to equip Americans with basic financial knowledge and thinking strategies needed to insure that we have educated consumers. The symptoms of this lack of financial literacy are all around us and are reflected in the current low savings rates, the mortgage crisis, the debt burden carried by so many Americans, and their increasing sense of fiscal and personal despair. In our judgment, there has been a lack of a comprehensive, cogent policy for the promotion of financial literacy instruction that underscores the immediate need to implement a sweeping policy and programmatic changes in financial literacy education. Our nation can't afford to let another generation slip through the cracks, fall into continued debt and remain deficient about how money works for the duration of their adult lives!

With home foreclosures at record highs, Fed Chairman Ben Bernanke stressed in a speech that young people must sharpen their financial knowledge so they are in a better position to make sound investment decisions throughout their lives. "The financial preparedness of our nation's youth is essential to their well-being

and of vital importance to our economic future," Bernanke said at the Fed event on financial literacy. "In light of the problems that have arisen in the subprime mortgage market, we are reminded of how critically important it is for individuals to become financially literate at an early age so that they are better prepared to make decisions and navigate an increasingly complex financial marketplace," the Fed chairman added.²

Earlier this year, I had the pleasure of testifying before a house subcommittee³ hearing on "*Improving Consumer Financial Literacy under the New Regulatory System.*" I have included excerpts of my testimony in this article about the need to promote financial literacy instruction in our nation's schools.

Because of this lack of a formalized approach to teaching financial literacy far too little has been done to help students systematically learn about the principles of financial literacy so that they are equipped to make financially relevant decisions. In recent years, we have seen several states that have only scratched the surface as they implement financial literacy programs. Yet, there is currently a plethora of worthwhile financial literacy materials already in existence. A Google search will generate pages of citations regarding this topic. The Department of the Treasury's Office of Financial Education website states that it will be working "to promote access to the financial education tools that can help all Americans make wiser choices in all areas of personal financial management, with a special emphasis on saving, credit management, home ownership and retirement planning. The Office also coordinates the efforts of the Financial Literacy and Education Commission, a group chaired by the Secretary of Treasury and composed of representatives from 20 federal departments, agencies and commissions, which works to improve financial literacy and education for people throughout the United States."

In fact, many major financial institutions including banks and credit unions have generated materials for use in teaching financial literacy. A crucial question is how does exposure to these materials and learning take place on a larger scale, and will there be professional development for teacher training? In addition, how will learning take place and be measured so it is more effective than it has been in the past?

We know that teaching a subject does not ensure uniform mastery. This applies as well to the teaching of financial literacy. We must ensure that materials are relevant to the experiences of our students.

Why can't we provide the impetus to help our children become a new generation of consumers who use reason to direct the use of their resources rather than celebrating conspicuous consumption and debt accumulation that currently endangers the basic fabric of our country?

There are many obstacles that can interfere with the delivery of educational content, such as a lack of instructional time in the school day or week and the

dearth of resources to support effective instructional practices. Many factors interfere with the learning process, including the lack of past educational success, and, I regret to say, too much knowledge of some of life's other pitfalls that are often felt and experienced by urban communities across the nation. For far too many students and teachers, the concept of financial literacy seems foreign, although they and their families contend every day with their own economic choices and the consequences of their decisions.

In addition to the common problems associated with teaching and learning that financial literacy programs must contend with, we've identified other factors that interfere with the ability to maximize learning in classrooms. Factors such as race, culture, age and an over-reliance on technology, to name but a few, create divides that may distance teachers from learners. These observable physical and behavioral factors are not insurmountable, but too often they are ignored. Meaningful and long-lasting learning effectively relies on the use of strategies that recognize the importance of cognition, language and other brain-based learning approaches such as the use of visual tools. The successful use of these strategies is dependent on a systemic plan that includes the implementation of focused professional development and sustained school-based support.

To contend successfully with these challenges is a matter of both professional skill and organizational focus. Without plans for professional development and content that is integrated into the curriculum through material relevant to students, financial literacy will become another educational catch-phrase and we will lose this opportunity to educate our citizens about how they may best confront the decisions in their daily lives to position themselves for long term financial security.

Unfortunately, as noted earlier, teaching financial literacy is not the same as learning financial literacy. There is a great difference between having excellent content resources and the successful use of those resources. Great content does not guarantee effective learning. It is clear that current efforts in our schools to transfer knowledge about financial literacy have not worked.

Over the past several years, too many educators have sat on the sidelines giving little thought to the connection between their community's economic difficulties and the lack of basic financial literacy that might be taught in school. This year, with the effects of the recent financial crisis still around us, two federal agencies, the Department of the Treasury and the Department of Education are taking steps toward encouraging the integration of financial literacy content with "regular" subjects in our nation's classrooms. The Financial Literacy Education Commission (FLEC) has started the process of applying the expertise of federal agencies to policy changes that work towards the improvement of the integration of financial literacy into the instruction that comprises the "regular" school day. Additionally, the President's Advisory Council for Financial Literacy may be reconstituted this year with the addition of educators who have K - 12

experience integrating content into effective learning models. Education Secretary Duncan told an audience at the annual 2009 Council for Economic Education meeting that financial literacy was a priority of the Obama administration. All of these signs are hopeful.

A paradox exists in that the powerful and large factions in the financial services industry can disagree with increased efforts by the Obama Administration for consumer protection and regulation, while at the same time, seem to agree that we need to "step up" financial literacy education - but to what degree? I would argue in regards to financial literacy education that "change" needs to happen on both sides rapidly and personal finance literacy needs to be viewed as an informational issue for consumers regardless of the regulatory outcomes. It is a "no-brainer" that financial literacy needs to be increased greatly in scale in our nation's schools for a healthier economy. We are in a financial emergency and must recover from the emergency by providing citizens reasonable consumer protection on financial services products.

How can we include strong financial literacy education initiatives in our nation's classrooms? Financial literacy programs must contend with the common problems associated with teaching and learning while competing for sufficient space in the crowded instructional day. Successful curriculum integration happens not at the flick of a switch, but as the result of a planned approach to blending critical financial literacy topics into structured classroom instruction. Identification of what needs to be done is not the same as doing it. Teachers working in a collaborative environment with their local district curriculum specialists and, if needed, experienced consultants, can readily identify where financial literacy concepts can be integrated into mandated curricula. Mathematics, economics, civics, social studies and science classes can readily incorporate financial literacy content in a manner that students can relate to.

The greater difficulty comes when trying to modify customary learning strategies to enable students and teachers the ability to distinguish the skill needed to write a check from the skill needed to determine if the check should be written. To be financially literate a person needs to know how to decide what to do as well as how to do it. The process of transforming bits of information into coherent and useful knowledge - we call this process "thinking" - is the major focus of effective financial literacy education, or at least it should be.

So, just what is "thinking"? Thinking is discerning patterns of information and then making them practical. There are fundamental actions of thinking that we all use every day: describing, comparing, grouping ideas, sequencing, and relating cause and effect. Most often this is done in our heads, but when learning and working out problems that are difficult for us, we benefit greatly from visual tools to formulate, examine and elaborate ideas. Then we communicate these ideas, one-to-one, with work partners, in small groups and in larger working groups.

In our work in classrooms across the country, we have found that visual tools help teachers and students master a huge amount of information and complex situations while generating exciting and effective solutions to problems. We believe that visual tools should be an important new feature of effective financial literacy education. Pat Wolfe stated, "One of the most important things we have learned is that the brain is visual...Neuroscientists tell us that the brain organizes information in networks and maps." David Brooks recently wrote in an op-ed piece in the New York Times (May, 2008) that we are no longer in the information age, or the global communications age, but rather in *the cognitive age*. According to Brooks, "We're moving into a more demanding cognitive age. In order to thrive, people are compelled to become better at absorbing, processing and combining information...information can now travel 15,000 miles in an instant. But the most important part of information's journey is the last few inches - the space between a person's eyes or ears and the various regions of the brain." We would ask: Does the individual have the capacity to understand the information? Does he or she have the training to apply it? Are there cultural assumptions that distort the way it is perceived?

Visual thinking tools are not the flow charts and Venn diagrams of the past. Those visuals represent static graphics and sterile organizational charts and flow charts that have been used to control direct communication, rather than promote dynamic and creative analysis of everyday problems.

Teaching and learning financial literacy concepts, when isolated from the demands teachers face during their instructional day, seem like achievable goals. However, when there is no plan to help teachers integrate financial literacy concepts into the required subject-centered instruction mandated by state standards, financial literacy becomes a low instructional priority. For financial literacy to become part of the regular instructional program, it must be interwoven with required course content and delivered to students by applying the latest brain research, while at the same time making sure that the teaching strategies are relevant to every child's learning ability.

In order to achieve the goal of integrating financial literacy into our nation's classrooms there must be a concerted, cooperative effort among organizations with complementary areas of expertise. Among these groups, the National Urban Alliance, Inc. (NUA), the Teaching Financial Education Group (TFE) and Designs for Thinking (DFT), in particular, have worked with other organizations such as the New York State Council of School Superintendents, the New York State School Boards Association, the New York State United Teachers, and parent and student representatives to achieve the common goal of a financially literate populace. Together, we must continue to identify ways in which school districts, financial institutions and government entities can work together to provide solutions to the problems associated with financial illiteracy.

The NUA has sponsored three major New York State Financial Literacy forums to discuss the role financial literacy education plays in helping our nation's

citizens to achieve economic recovery and stability. Together the forums at the Empire State Plaza in Albany, New York, and at Hofstra University in Hempstead, Long Island, drew over 2,500 school stakeholders. At St. John's University, the forum's purpose is to engage attendees in collaborative groups to utilize visual tools to improve their thinking about financial literacy concepts and how to implement financial literacy instruction. The prior forums generated dialogue that is helping these stakeholders in school communities identify and discuss issues related to the need for teaching financial literacy, and then to identify the vehicles by which financial literacy instruction may be most effectively delivered to the students in our schools.

The New York Financial Literacy forums were comprised of representatives from state school boards, state administrators, and state teacher and parent organizations. During the forums each representative briefly presented his or her understanding of the problems associated with teaching financial literacy in our nation's schools. Representatives of the co-sponsors helped clarify how important and how possible it is for financial literacy to be taught in our schools. The only questions to emerge from the discussion were how best to make information available and how best to integrate financial literacy instruction into existing curricula. At Hofstra University, Congresswoman Carolyn McCarthy and Congressman Gregory W. Meeks spoke of their involvement in helping to provide solutions to the lack of instruction in the basic concepts of financial literacy. Brian X. Foley, the State Chairman of the New York State Banking Committee, talked about plans for incorporating financial literacy into our schools. New York State Comptroller Thomas DiNapoli sent a proclamation supporting the forum as a vehicle for extending dialogue among stakeholders. Governor David Paterson sent a proclamation encouraging the participation of families, schools, government agencies, elected officials, civic organizations and other interested parties in the sponsorship and development of programs and activities that can further enhance financial literacy. Tom Rogers, Executive Director of the New York State Council of School Superintendents and Jeff Shade, a representative of the New York State United Teachers agreed on the need for teaching about financial literacy, but maintained that additional subject content should not become an additional mandate placed on teachers and schools.

After the forums, we spent a good deal of time attempting to resolve the key issues - what should be taught, how should it be taught and where should it be taught. Our task was to develop functional models for the identification and implementation of content supported by well-conceived professional development. The Teaching Financial Education Project believes we are well on the way to identifying the vehicle by which financial literacy should be taught while not negatively impacting the teaching of other subject areas mandated by state guidelines.

We do not advocate any particular set of materials for the teaching of financial literacy but know that many content sources are currently available. We also recognize that programs and materials vary with regard to quality and alignment

with grade level subject matter. Yet, the greatest problem is not content selection but the integration of content into existing curricula that varies from state to state and grade level to grade level.

Most of the existing programs on financial literacy rely on optional and supplemental material, not materials integrated into the core curricula areas. Some of the programs rely on volunteers who visit periodically to provide students with a yearly dose of information. A reliance on "drive-through" professional development or volunteers providing snippets of information that they hope will influence future student actions does not represent what we've come to learn about effective teaching and learning strategies. If we are going to make the effort to develop a pool of informed consumers, then we must apply the same strategic planning models we use for the teaching of math, science, social studies and other core subject areas to the teaching of financial literacy.

The customization of freestanding materials and delivery methods is necessary to integrate content into the existing instructional day. We believe a systemic approach is necessary for students to obtain the sequential and cumulative knowledge of the basic foundations of financial literacy. When students learn to ask questions and think about the reasons why they make money, save money and spend money, they are learning responsible and wise decision-making habits that instill a sense of confidence in their economic futures.

The NUA is primarily focused on engaging educators in pedagogical approaches and instructional strategies that have been shown to accelerate the achievement of urban students in America's schools. Residents of our urban centers are all too often underserved by many financial institutions, and, in some cases, exploited because they are unaware of how the financial system works or how to protect themselves or their families from economic ruin. The NUA knows from almost two decades of experience that children in urban centers are fully capable of learning and applying the most complex information as long as the information is presented in ways that connect to the students' lives and/or their future potential. Clearly, limiting education's focus to one's current circumstance is not the most powerful way to equip one to build a better future, one that may seem distant but can be within reach. Teaching must use culturally relevant materials and pedagogies that are designed to engage students' minds and emotions. It is our hope that the Teaching Financial Education Project working with Designs for Thinking will be able to help school districts integrate the basic concepts of financial literacy into their daily instructional programs while employing the latest brain-based pedagogical approaches associated with high levels of improved student outcomes.

Although we believe that a system-wide approach by a school district is preferable for implementing and sustaining effective educational programs, newly developed teaching strategies have generated substantial measurable learning outcomes for students in districts across the country even in the absence of a systemic approach.

David Hyerle and Larry Alper of Designs for Thinking developed one innovative and promising set of materials we are applying to the teaching of financial literacy. Learning research tells us that up to 80% of what we learn is learned through visual associations. These visual associations can be greatly enhanced by using a system often associated with cognitive cartography called visual tools.

By incorporating visualized thinking and cultural relevance, we believe we have established a framework for the delivery of effective financial literacy that may be replicated in other parts of the country. Over the next few months and in 2010, we will conduct several additional Financial Literacy forums in New York State to gather additional input from school district stakeholders regarding their perceptions about financial literacy education. We believe this additional input will help to unify the voices of New York State in support of proposals we will make to the New York State Education Department regarding financial literacy education. We are also in the advanced planning stages for conducting financial literacy forums in other states. Coordinated working relationships with representatives of the United States Treasury Department and the United States Department of Education, as well as other federal agencies, are expected to provide additional guidance toward the development of a national policy regarding the teaching of financial literacy in our schools.

Once the blueprint is developed for the integration of financial literacy into other curriculum areas, we will expand our collaborative efforts to develop regional centers called, the Center for Teaching Financial Literacy. These centers, will provide teacher training in effective financial literacy learning strategies including the use of sources and tools to teach the basic financial skills needed to create and maintain a budget, to understand credit, loan risk, debt, banking, investments and retirement plans. The Centers for Teaching Financial Literacy will focus toward helping educators prepare to teach the skills and concepts needed for understanding how money works thus aiding to make the sound financial decisions that are crucial to their economic futures, including decisions about how to finance one of the most important investments they will make in their lives, their advanced education.

The Center for Teaching Financial Literacy will create and conduct teacher training programs that emphasize how to embed financial and economic literacy education into core academic subjects. Centers will teach teachers how to ensure that their students are prepared to make informed financial choices and become responsible workers, heads of households, investors, entrepreneurs, and citizens.

The Center for Teaching Financial Literacy's mission is to teach teachers how to ensure that their students are prepared to make informed financial choices in their lives. The goals of the centers are to:

- Provide professional development activities that enable teachers to increase student knowledge in consumer, economic, and personal financial concepts.
- Provide opportunities for students to voice their concerns and to propose solutions.
- Utilize resources and develop financial and economic literacy assessments for at least three grade levels; K-12, college; and adult education.
- Promote a deep understanding of teaching and learning processes by helping both individuals and groups of instructors to gather, analyze, and reflect on financial literacy lessons for learning.
- Cultivate dialogue about teaching and learning through orientations, workshops, working groups, and other programs.
- Create and disseminate proven research-based best practices, models, and approaches for financial literacy education -- and facilitate teacher access to resources that support them.
- Produce activities designed to assist communities to promote financial and economic literacy education.
- Ensure quality professional development for teachers leading to higher student achievement in skills and subjects integral to financial and economic literacy and personal finance education.
- Introduce learning strategies for problem solving that may be applied cross content areas.
- Maintain financial literacy educational materials and resources that include: best practices, tools, and instructional materials for financial and economic literacy and personal finance instruction, aligned with voluntary nationally recognized curriculum standards in content areas, for students of elementary school, secondary school, and post-secondary school age.
- Share online materials and resources with individuals who wish to improve their effectiveness as instructors and facilitators.
- Communicate to stakeholders through the Teaching Financial Education Newsletter publicizing centers' activities and financial literacy education issues.

A key goal of the Center for Teaching Financial Literacy will be to make financial literacy learning "stick." Relevant lessons are necessary to prepare students to be financially literate citizens. We are currently working with several national groups to garner support for these centers, including government entities and private sector financial organizations. We must accept the fact that teachers will need high-quality professional development opportunities in order to address our nation's financial literacy shortcomings. The centers will provide, develop, document and advance the best teaching practices of financial literacy.

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- Dr. Gerald Lauber of the National Urban Alliance

Now is the time for a national consensus to emerge that empowers us to address the critical issues before us. It is imperative we act soon to involve educators and the general community in the implementation of high-quality financial literacy programs in our nation's schools. Professional development that is both focused and sustained is the only proven vehicle for helping teachers to achieve our nation's goal of building a citizen base of informed consumers who will avoid the excesses that led to our most recent fiscal crisis.

Dr. Gerald Lauber
Senior Advisor
National Urban Alliance for Effective Education

- 1 NY Financial Literacy Forum, May 4, 2009, Hofstra University, NY
- 2 (AP) Young people's financial know-how has gone from bad to worse. Washington, DC, April 9, 2008
- 3 Subcommittee on Financial Institutions and Consumer Credit Improving Consumer Financial Literacy under the New Regulatory System 2 p.m., Thursday, June 25, 2009, Rm. 2128 Rayburn House Office Building

The National Urban Alliance (NUA) is a not-for-profit organization. The Teaching Financial Education (TFE) group, Designs for Thinking and the NUA are collaborating in a common project to achieve their goals towards improving financial literacy in America's schools.

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