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## Young Adults' Financial Practices and Future Well-Being

By Joyce Serido, Ph.D. and Assistant Research Professor, Take Charge America Institute



Joyce Serido

Today's generation is coming of age during uncertain and changing economic conditions - a time of job losses and high unemployment, decreasing employer benefits, less access to credit and other significant challenges. But how can we help youth develop the financial knowledge and skills they will need to thrive in uncertain times?

In 2007, we launched the Arizona Pathways for Life Success in University Students (APLUS), a longitudinal study examining financial attitudes and behaviors, and the forces that drive them, in youth ages 18 and up. The subjects of the study are a sample of 2,000+ students who entered the University of Arizona in the 2007-2008 academic year. By following these young adults through college and into their adult lives, we learn not only how their attitudes and behaviors change over time, but also understand what contributes to – and detracts from – good financial practices.

The latest round of research captured attitudes and behaviors of students four years after entering the University of Arizona. Wondering what changes during the college years contributed to financial preparedness, we found that parents continue to play an important role in the development of their children's financial behaviors. When asked what most affected his financial decisions while in college, one young man in the study commented:

**“If it weren't for my parents' habits and their desire to raise me to be very careful with money, I would not have the strong - almost subconscious - desire that I do to save for the future.”**

Beyond instilling a positive approach to financial behaviors, participants who talked with their parents in adult-to-adult dialogue about money matters developed a deeper understanding of financial concepts and engaged in more responsible financial behaviors. Although parents play an important role in providing a solid foundation, today's complex and fast-paced world requires active and ongoing learning throughout a lifetime. As one young woman in the study noted “The economy changes so rapidly that a decision I make one day can be a non-existent choice the next”.

Importantly, the study documented a “snowball effect” of financial education. That is, early high school and college financial education exponentially increases the likelihood that students will pursue more financial education as time goes on, including informal learning through books, magazines and seminars.

“We are able to show causal linkages between repeated financial education and higher levels of good financial behaviors such as tracking expenses, paying credit cards in full, and saving money each month,” said Soyeon Shim, director of the Norton School and the lead researcher on APLUS.

In addition to increasing knowledge about money matters, every financial class, workshop, or seminar, has the potential to spark interest in a way that encourages a student to ask more questions, analyze information, and understand that financial decisions are about more than financial security. To become financially self-sufficient adults, it is important that young people understand that their financial decisions extend beyond financial security – financial decisions put their personal values and attitudes into practice and contribute directly to their physical and psychological well-being.

“The APLUS research gives us the data we need to design more effective financial education programs, which in turn strengthens the financial decision-making skills of the next generation of young adults,” said Michael Staten, UA professor and TCAI director. “Our research-based outreach programs draw on the insights from studies like APLUS to help us identify the most effective messages for shaping the way young consumers think about financial choices. One message has come through loud and clear: start the financial education process early and create an ongoing exposure and dialogue with and among young people about financial decisions.”

For today's youth, financial security and self-sufficiency rests on one's own shoulders. While they have their adult lives to achieve that security, the process begins with an early understanding of basic financial principles coupled with ongoing financial education.

*To download the 32-page APLUS Young Adults Financial Capability Wave 2 Report, please visit <http://aplus.arizona.edu/Wave-2-Report.pdf>*



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## Paving the way Through the New Consumer Jungle

By Kari Steffens, TCAI Program Coordinator



Kari Steffens

*Consumer Jungle*, a popular financial literacy website for tweens, teens and young adults, has just had a complete makeover – thanks to the collaboration between the Take Charge America Institute and the Young Adult Consumer Education Trust (YACET). Established in November 1999 by consumer law attorneys, Robert Parlette and Scott Kane, the original *Consumer Jungle* targeted educators looking for resources that would help them teach personal finance. Now, through the partnership

with the University of Arizona, the new Consumer Jungle (<http://consumerjungle.org>) has an array of articles, games, contests, and interactive tools to provide comprehensive personal finance information directly to young adults, with the hope of creating a national virtual community for youth.

This new “by students... for students” concept on the Consumer Jungle website focuses on young adult involvement, participation and networking to enhance personal finance knowledge at both the individual and group levels. Website visitors can play personal finance games, share stories of *Money Mess-ups*, *Mishaps*, and *Mistakes*, become a *Student Editor* by submitting an article for posting, participate in an ongoing series of personal finance contests, *Ask Jungle Bob* their personal finance questions, and browse articles on a variety of personal finance topics. Young adults are encouraged to interact with their peers by logging into their

account to post comments, rate articles, and submit questions. In keeping with the peer-to-peer learning approach, the Take Charge America Institute’s student team of Credit-Wise Cats has helped to vet the website and will provide online blog and article content (for more on the Credit-Wise Cats go to [www.creditwisecats.org](http://www.creditwisecats.org)).

Consumer Jungle can also be used as a resource for educators in their classrooms. Podcasts (coming soon) will be available to provide short introductions to financial topics, and can be broadcast in class to facilitate a group discussion. The popular “Fraud of the Month” article (which focuses on providing information about the different scams within the marketplace) can be used as a classroom focus activity. The periodic contests make great class projects to engage and motivate students by appealing to their creativity.

TCAI director Professor Michael Staten rationalized the partnership this way: “Online education has become an important part of how we learn, and doubly so for anyone under age 30. Because of its immediacy, an online community like Consumer Jungle can help with real-time decisions if someone is making an online purchase or just researching their options. Online gaming can be another important learning tool, rewarding players who make their way through increasingly challenging learning scenarios. We hope it makes our visitors hungry to learn more. We want our web visitors to return, and to recommend the site to their friends. We think of Consumer Jungle as a way for our visitors to become part of a Credit-Wise Community.”



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## Spotlight on Partners: Maryland State Department of Education

By Luke Rhine, Maryland State Department of Education, Division of Career and College Readiness

### Financial Literacy Education in Maryland

Maryland is fortunate to lead the nation in providing a quality education for students. The state also benefits from a vibrant and diverse regional economy. But, as the demands of the global economy have changed, so have the educational needs of our students. Today, more than ever before, our graduates must be financially capable in order to be prepared for college, careers and responsible living. This is why Maryland has acted to ensure that all students have a strong foundation in financial education to make informed decisions and accomplish their goals.

The Maryland State Board of Education has accepted the Maryland State Curriculum for Personal Financial Literacy and approved regulations that require financial literacy instruction. Since the beginning of the school year, all 24 local school systems are implementing a program of instruction in financial literacy education. Recognizing that students encounter money issues at an early age, each program will start in grade three and continue through high school. While the standards and regulation outline a robust program of instruction required for all students, they allow for flexibility at the local school system level on how the content is to be delivered. Most local school systems will choose to offer a stand-alone course in financial literacy and/or integrate financial literacy content into existing courses at each of the respective grade levels.

### Collaboration with Family Economics and Financial Education

In 2008, the University of Arizona's Family Economics and Financial Education (FEFE) program began an extensive and ongoing collaboration with the Maryland State Department of Education (MSDE) to deliver both curriculum and professional development training opportunities to Maryland educators. MSDE partnered with FEFE to provide an annual 3-day training event on the updated FEFE curriculum as well as shorter, content-specific training workshops on credit topics (e.g., the 2009 Credit CARD Act) and how insights from behavioral economics can help bolster savings. To date, over 250 teachers in 20 of Maryland's 24 local school systems have completed the annual three-day training. To further support local school systems, MSDE and FEFE jointly created the FEFE Maryland State Educator Team. Each team member is responsible for helping to plan and implement the annual 3-day, FEFE East Coast Educator Training conference, as well as review and pilot active learning tools, and manage an online learning community for educators. FEFE is working with other states to

replicate this model. By collaborating to develop opportunities for rich, ongoing professional development, MSDE and FEFE are helping local school systems to better prepare young people to understand and actively participate in their own financial well-being.



### Private Partnerships

Maryland is very fortunate to have dedicated private sector partners as well as other state agencies committed to the development of financially literate students. In April of 2011, PNC Bank granted \$48,000 to support financial literacy education in Maryland's schools. Funds were used to provide 110 scholarships for educators to attend the 2011 FEFE East Coast Educator Training. Representatives from PNC Bank also work with MSDE in an advisory role to support financial literacy in Maryland.

"PNC Bank is committed to providing financial literacy education and is pleased to partner with the MSDE to further invest in our children," said Louis Cestello, PNC Bank's Greater Maryland Regional President. "This effort will help area teachers to prepare our children for successful financial futures."

### Public Partnerships

The Maryland Department of Disabilities has also collaborated with FEFE to add lessons on public benefits and work incentives. This effort was funded through an innovative federal funding arrangement called the Medical Infrastructure Grant (MIG). MIG grants have been leveraged by Maryland and 42 other states to eliminate barriers to employment for people with disabilities. As a

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## Spotlight on Partners: Maryland State Department of Education

result of this effort, the new FEFE modules ask students to imagine themselves in some unexpected situations: that a parent has passed away; that students have had an accident that prevents them from working full-time; that they have been laid off from a job through no fault of their own. The lessons detail the public programs that can help in each situation. Most importantly, they illustrate benefits through case studies. Students prepare budgets for each case study that illustrate the financial impact of sudden income losses, the safety net provided by public benefits and the fact that people who receive benefits can return to work and be better off financially.

Catherine Raggio, Secretary of the Maryland Department of Disabilities, highlighted the importance of the MIG-funded financial literacy effort. "It's important for students to learn the facts early – that they can work



and keep certain essential benefits, at least until they earn enough to replace them. Young students need to learn that it pays to work, that they're better off financially if they are employed, and that, with the help of the FEFE curriculum, they can help their families understand the facts as well."

### Summary

The Maryland State Board of Education recognizes the importance of early and ongoing instruction in financial literacy education as a means to improve financial capability in our students. MSDE is committed to supporting this mission and will continue to establish partnerships that create opportunities for both educators and students. With the support of partners like FEFE, PNC Bank and the Maryland Department of

Disabilities, all students will be better prepared to make financially responsible decisions.

## Calendar of Events

- Consumer Jungle Talk Article Writing Contest First Submission Deadline February 1, 2012
- CWC Arizona Financial Face-Off April 21, 2012
- Consumer Jungle Talk Article Writing Contest Second Submission Deadline June 1, 2012
- FEFE National Training June 25-28, 2012
- Consumer Jungle Talk Article Writing Contest Third Submission Deadline October 1, 2012

### TCAI Education Programs

