Many of you who follow the activities of the Take Charge America Institute are aware of our ongoing research project studying the financial attitudes and habits of young adults. We call it the Arizona Pathways to Life Success for University Students (APLUS) project. The project’s objectives are ambitious: to recruit a sample of 2,000+ young adults (college freshmen at the University of Arizona as of 2008); gather background data that identifies the determinants of young adult financial attitudes and behavior; monitor and re-interview the sample periodically over the next 20 years; answer the question of whether financial attitudes at age 18 are linked to life success at age 40. We are now four years into the project. In this issue of Take Charge Now, Prof. Joyce Serido describes one of our recent discoveries: young adults evolve distinct financial identities that impact whether and how they seek information to help them make financial decisions.

For the financial education community, this finding has important implications. It is becoming increasingly clear that financial information is more effective when it is directed at the right audience. There truly is not a one-size-fits-all educational solution, even for consumers in a given age band, such as high school or college students. Prof. Serido’s findings indicate that some young adults need to learn about basic financial practices, while others know the basics but need access to financial products in order to gain experience and put their knowledge into practice. These findings directly support the U.S. Dept. of Treasury’s shift in educational strategy in recent years away from a goal of financial literacy and toward a goal of financial capability. Financial capability is achieved by combining financial knowledge with access to and experience using financial products. Knowledge by itself just doesn’t translate that well into capability.

Becoming financially capable is all about making decisions. Financially capable consumers are those who approach financial decisions with an analytical approach: identify alternatives, gather information and data, and weigh the options to find what works best for them. As an economist I should add that this is an economics-based approach to decision-making. I can’t think of a period more suited for this approach to making personal financial decisions than the current one. There are very few easy decisions left in the basic financial choices we face. Consider three examples:

- **Homeownership:** This has been the long-standing foundation of the America dream. But, 10 million families lost their homes to foreclosure over the past 4 years, and 12 million more were underwater with their mortgages at the end of 2011. American families have seen $7 trillion in home equity wealth evaporate into thin air since 2008. No wonder that a 2010 Fannie Mae survey recorded a 16% drop in the proportion of Americans who think buying a house is a safe investment (not even a “good” investment). What must 21 year-olds be thinking as they consider the decision to own vs. rent?

- **Saving and investing in equity markets:** For the past decade we’ve been trumpeting the message to save for retirement, invest in the market, save early and often. The Dow Jones Industrial Average hit 13,000 last month, for the first time since the crash of 2008. In between, it had fallen to nearly half that value and then bounced up again. Daily swings of 4-5% are now considered normal volatility. Young people can be forgiven for thinking of investing in the stock market as akin to playing the tables in Las Vegas.

- **Investment in a college education:** Numerous studies show that investment in one’s own human capital through higher education can pay big dividends in terms of a higher earnings trajectory and lower risk of unemployment. But, college costs have risen faster than inflation for 20 consecutive years, creating an affordability problem for many American families, and leading them to question the value proposition. Student loan debt now tops $1 trillion, surpassing credit card debt. Student loan defaults are higher than for other consumer credit products. Against this backdrop, perhaps we can sympathize with a young person who questions why they are being pushed into higher education, if it means being also pushed into record debt.

Yet, these are the times and the environment in which our young consumers must make decisions. We do them a disservice if we don’t create our educational programs to give them the practice. That’s our mission at TCAI.
Financial Identity Style – What’s that?

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

For many years, psychologists have wondered how individuals come to answer the question “Who am I?” The questioning begins in adolescence, as young people interact with others outside their family and across different situations. As they learn to navigate new social situations and face life challenges, they develop a personal identity, that is, a sense of who they are in relation to other people. This understanding makes it easier to navigate future life demands in positive ways.

We wondered if there was such a thing as financial identity, that is, different styles in the way people approach personal financial decisions. This might be particularly important during late adolescence because becoming financially self-sufficient is an important life goal at this time. Meeting new financial challenges, for example, assuming financial responsibility for car insurance or college tuition, may help young people develop a financial identity style.

As part of the Arizona Pathways to Life Success for University Students (APLUS) research project, we asked a group of college students a series of 12 questions about four possible approaches to dealing with financial matters. Following is a brief description of the four approaches and a sample question for each approach:

- **Followers** (39%) are young adults with high objective financial knowledge and strong parental role models to help guide their future decision-making. As yet, however, they have little drive to explore financial management beyond these examples.
- **Pathfinders** (31%) are young adults who seek understanding about their own needs and wants as well as a broader understanding of how the money system works.
- **Drifters** (30%) are the most open and undecided about financial management style, poised to learn financial lessons the hard way, through trial and error.
- **Ways to Promote Self-Sufficiency**
  - Need opportunities to put knowledge about finances into practice through independent financial decision-making
  - Need information beyond the basics of financial management, e.g., investing, risk management, to secure their future
  - Need access to more knowledge about financial topics as well as incentives to motivate them

### Financial Identity Style – Approach to Personal Finance

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<th>Financial Identity Style</th>
<th>Approach to Personal Finance</th>
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| **Followers:** A Normative Style | • Accept parental views concerning financial management practices without question
• Typically make financial decisions in terms of parental expectations and approval
• May make premature commitments without critical evaluation and deliberation |

| **Pathfinders:** An Informational Style | • Actively engaged in the formation of their own personal financial management style
• Explored (may be exploring) different approaches to financial management
• Express commitment to their choices |

| **Drifters:** A Diffused-Avoidant Style | • Reject their parents’ financial management style but have yet to establish one of their own
• Demonstrate a reluctance to confront and deal with financially-relevant conflicts and issues
• May show disinterest in exploring financial topics
• Alternatively, may be exploring financial topics without a sense of urgency or in a haphazard manner |

What did we find out?
Based on the responses of more than 1,500 young adults (21-24), we identified three financial identity styles: Pathfinders, Followers, and Drifters.

**Pathfinders** (31%) are young adults who seek understanding about their own needs and wants as well as a broader understanding of how the money system works.

**Followers** (39%) are young adults with high objective financial knowledge and strong parental role models to help guide their future decision-making. As yet, however, they have little drive to explore financial management beyond these examples.

**Drifters** (30%) are the most open and undecided about financial management style, poised to learn financial lessons the hard way, through trial and error.

How can we use this information?
In this era of increasing personal responsibility for future financial security, all young people need to be better informed about personal financial practices. Yet they have different experiences and values. Findings ways to tailor financial education to fit the level of knowledge and experience of the learner may help financial educators reach more students. Financial identity styles may be one way to help educators and practitioners map learning experiences and student experiences. Drifters, for example, may need to learn about basic financial practices; whereas Followers know the basics but lack opportunities to put their knowledge into practice. On the other hand, Pathfinders may be ready for more complex concepts. Our goal is to move this research further into practice and provide you with a tool for identifying the financial styles of your students.

For more insights from the APLUS study, go to the project website at www.aplus.arizona.edu.

For more information, visit the Take Charge America Institute website at http://tcainstitute.org.
National Financial Capability Challenge

To encourage educators to participate in the National Financial Capability Challenge put forth by the Department of the Treasury, TCAI is offering educators the chance to win a Kindle Fire by testing their students’ financial knowledge and submitting their students’ average scores through the FEFE website. Educators will register for and conduct the National Financial Capability Challenge before April 13. Once they receive their students’ average scores, they can complete a short online submission on the FEFE website and be entered for a chance to win the Kindle Fire!

http://fefe.arizona.edu/financial-capability-challenge-awards-program

The University of Arizona | Take Charge America Institute | Consumer Jungle

Your Money—It All Add$ Up

In Consumer Jungle’s current competition “Your Money – It All Add$ Up” poster contest, young adults have the opportunity to create a poster which will symbolize what money means to them as well as educate their peers. Entrants are eligible for a chance to win one Grand Prize of an iPod Nano or four Runner-Up prizes of $50 iTunes gift cards. The deadline for submissions is April 27.

http://consumerjungle.org/contests/your-money-it-all-adds-up/rules
A passion for youth financial literacy led TCAI Board Member, Kellie-Terhune Neely to the Credit Wise Cats (CWC) in its early stages. As the Vice President of Marketing, her involvement with CWC was a perfect fit with her role at Hughes Federal Credit Union. According to Terhune-Neely, her work with TCAI and Hughes are “mutually beneficial and parallel.” Building strong community relations is the biggest asset Terhune-Neely brings to TCAI.

In fact, one of Terhune-Neely’s earliest contributions to TCAI was the Jr. Duel in the Desert competition, a spin-off of the college Duel in the Desert. Always with a local focus, Terhune-Neely brought dozens of middle school students to The University of Arizona to showcase their financial knowledge. Now, the scope of TCAI’s outreach has grown tremendously. With her extensive relationships in greater Tucson, Terhune-Neely was a positive force that launched TCAI into the local community. Thanks to her multi-faceted contributions to TCAI, our local outreach has increased from the Jr. Duel in the Desert to implementing hundreds of workshops in our school districts, to a regional high school competition that enables students to implement their financial knowledge. Her commitment to TCAI’s mission is relentless. Throughout all the changes to TCAI’s youth initiatives, Terhune-Neely and Hughes Federal Credit Union have stood by as faithful, solid partners.

2012 Calendar of Events

- CWC Arizona Financial Face-off
  - April 21
- Teacher Day at UA from 10-2pm
  - April 28
- OEE Summer Institute for Teachers—“Foundations of Economics”
  - May 29–June 7
- CJ Jungle Talk Writing Article Contest Submission Deadline
  - June 1
- OEE Summer Institute for Teachers—“Microeconomics and Macroeconomics”
  - June 11–June 26
- FEFE National Educator Training
  - June 25–28
- FEFE Iowa State Educator Training
  - July 24–26
- FEFE East Coast Educator Training
  - August 6–8

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TCAI Education Programs