



# Financial Literacy in California: What We Know and Do Not Know

*In spring 2014, the College Access Foundation of California and the Pullias Center for Higher Education convened a group of thought leaders in the fields of financial literacy and college access to discuss the current state of financial literacy in California. Through a robust discussion, we identified roadblocks to and potential strategies for improving the financial capability of California's students. A summary of the discussion and questions that arose is shared below and is intended to bring attention to the issue of financial literacy in California and inform action at the statewide level.*

California lacks a clear strategy for financial education. What are the necessary conditions for students to become financially capable? Which key partnerships should be targeted? How can the state move beyond compartmentalized approaches to fostering financial literacy (i.e., interventions solely focused within the higher education community) towards a more systematic, cross-organizational approach? What outcomes will measure successful growth of financial literacy?

Key tenets exist with regards to core concepts necessary for financial literacy. The challenge lies in making the content accessible to a larger audience. Furthermore, financial literacy is much more than simply sharing information—decision making and analytical skills are critical to financial capability. How might the state cultivate positive financial decision making behaviors among students? What are the different points of entry? Who are the major stakeholder groups? What are the best ways to engage stakeholders? What are the best ways to reach sub-populations (e.g., CA DREAM Act students, students living in foster care)? How might such behaviors be incentivized statewide?

Here is what we seem to know about financial literacy in California:

- California lags behind other states in terms of supportive legislation pertaining to financial literacy;
- The integration of financial education in schools is largely absent or ineffective; and
- Consistent with most other states, student debt continues to see a precipitous rise.

These points lead to several concerns:

1. **Lack of a clear vision or cohesive strategy on financial education in California.** The industry is piecemeal and fragmented. Some districts make financial education a priority; others do not. Some organizations are only focused on financial aid; some are focused on broader financial literacy issues. At the state policy level, efforts to create legislation have been limited. The state lacks a rule-sheet for financial literacy (e.g., never take out a private loan for college). The FLEC Commission has developed the concepts that consumers need to know; a possible next step is to articulate what the rules are that follow from those concepts.
2. **Hundreds of resources (e.g., curricula, games, lessons) exist but few evidence-based practices exist.** Research finds mixed results on the outcomes of financial education. Is it worth it? What types of practices work best? The industry needs more longitudinal, scientific studies of practices and curricula to determine the best practices.

3. **Too much reinventing the wheel.** Many organizations create their own curriculum and lesson plans. Even if they build on existing resources, many are not accessing the highest quality, evidence-based materials. No “marketplace” exists that vets high-quality resources.
4. **Staffing/capacity issues.** Financial education requires many staff on the ground working with students. Organizations have difficulty finding and keeping individuals who are knowledgeable about financial literacy. On the one hand, volunteers from the financial world (e.g., bankers) are low-hanging fruit insofar as they are often easy to recruit, but they usually do not know how to engage youth. On the other hand, teachers are overworked and lack confidence in the material.
5. **Understanding when and how to teach financial education is important.** Research suggests that starting earlier helps to create healthy financial management habits later in life, that integrating lessons into school curriculum is more effective than stand-alone presentations/workshops, and that “dosing” students with the information year after year will help them master the concepts.

Effective practices exist, yet few have been critically measured or garnered widespread acceptance/adoption. Among the most promising practices are:

- **Teachable moments/experiential learning.** One of the best practices in financial education is to use experiential learning and “just-in-time” education, teaching students concepts based on actual life events or a major financial decision (like attending college) that is current and specific to them.
- **Incentive-based models and leveraging scholarship dollars.** There is a growing body of behavioral research around incentive-based learning, and some evidence suggests it is helpful in training youth to budget more carefully, increase savings, and plan for the future. Some organizations tie scholarships to student achievement of personal academic and financial goals.
- **Train-the-trainer.** Train-the-trainer models can have a broader reach by disseminating high-quality curricula/activities and increasing teacher/trainer competency. However, there are a number of challenges with this approach, including finding the staff on the ground to actually deliver the lessons (capacity issue and confidence issue), and often a cultural or developmental mismatch of the materials/lessons to the needs of the target population.
- **Collaborations and collective impact approaches.** Some of the most effective approaches appear to be the result of community collaborations among several different stakeholders and providers (e.g., Coachella Valley, SDUSD, and Humboldt County). By engaging the whole community, financial education becomes more embedded in the schools and the community culture, and it becomes easier to provide services than when a number of organizations take on different pieces of the puzzle.

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Although California lags behind several other states with regard to a cohesive approach to financial literacy, the moment is opportune to move forward with an aggressive plan. Whereas other states frequently have developed a “silo” approach where schools attempt to solve one problem, colleges another, the banking industry another, and so on, such attempts are scattered and fall short. Rather than “silos,” a “farm” approach that tries to involve multiple constituencies in educating consumers, especially students, to be financially literate could serve as a national model that helps improve the financial well-being of California’s citizens and students.

*For more information on the work we are doing in this area, please contact [pullias@usc.edu](mailto:pullias@usc.edu).*