



## Is Financial Education Worth the Cost?

Despite the appeal of financial education—after all, who doesn’t want high schoolers to learn about compound interest and budgeting?—the impact of such courses has long been debated. In fact, some research suggests that personal-finance education in high school does little or nothing to improve later financial choices.

That has led some financial experts to discount the role of financial education altogether, and instead urge public policies that regulate the financial services industry and guide people to better financial choices. At the same time, school districts continue to roll out new financial education programs, based on the potentially faulty assumption that doing so will help students manage their money in the long run.

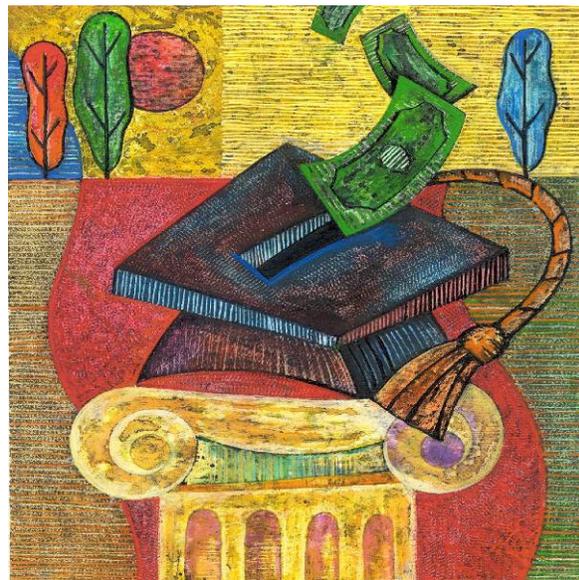
A new paper from the National Bureau of Economic Research, “Financial Literacy, Financial Education, and Economic Outcomes,” wades through the multiple studies on the impact of financial literacy and concludes that there might be more efficient ways to help people make smarter money decisions.

While research has repeatedly confirmed that many Americans are unable to answer basic financial questions about compound interest, real rates of return, and risk diversification, the findings on how best to fix this dearth of knowledge have been more mixed. Showing that financial education actually causes better financial choices is difficult to do.

“The evidence is more limited and not as encouraging as one might expect,” the paper’s authors, Justine Hastings, Brigitte Madrian, and William Skimmyhorn, point out. Indeed, some studies have found no relationship between high school financial education courses and students’ financial literacy.

Those inconclusive findings lead the authors to suggest that the government might want to focus on methods other than financial education as a means of helping consumers make better financial choices. “While the logical public policy response to many observers is to increase public support for financial education, this option may not be an efficient use of public resources even if it will likely do no harm,” the authors conclude.

Other, potentially more efficient options include public policies that “nudge” people to make smarter choices. In their book *Nudge: Improving Decisions About Health, Wealth, and Happiness*, economics professor Richard Thaler and law professor Cass Sunstein



argue for this approach, pointing out that automatic enrollment in retirement savings plans drastically increases participation rates.

Helpful public policies also include easier-to-understand disclosures on financial services products, simplified fee structures, incentives that inspire consumer action, and stricter regulation of the financial services industry.

Still, interest in financial literacy education remains high, especially in the wake of a recession that was caused at least in part by the subprime mortgage crisis. Thousands of consumers signed up for mortgages they could not afford and did not fully understand. Americans also continue to be plagued by low retirement-savings rates, poor investment choices, and high levels of debt.

The authors cite other signs of poor economic decision-making, as well: Only a small portion of employees who are eligible for employer matches on retirement savings take advantage of them, and consumers often select high-fee funds, even when given the option to select lower-cost ones.

People also fail to balance their portfolios in a way that makes sense for their age, buy pricey whole life insurance (instead of term life insurance), and rely on high-interest rate loans, even when they have other options. (Interestingly, research has found that financial mistakes happen most among young people and older people, and consumers make their best financial decisions during middle age, when they've collected sufficient life experience but haven't yet suffered from age-related mental impairments.)

Part of the problem seems to be that our financial world has gotten so complicated: Consumers must sort through dozens of savings options, retirement investment choices, and mortgage varieties, for example. While people do learn from their financial mistakes, some choices happen so infrequently, such as retirement planning or student loan borrowing, that there's no room for trial and error.



That reality is one reason for the rush of new legislation over the last few years, including the Dodd-Frank Act of 2010, which created the Consumer Financial Protection Bureau, and the Credit Card Act of 2009, which required greater disclosures on credit card statements, along with other consumer-friendly measures. Financial education has also enjoyed a boost; the Obama Administration released its own financial literacy program earlier this year, and an

increasing number of high schools are adopting financial education programs.

Amid that backdrop, the paper's authors urge better evaluation of financial education courses, since certain methods, such as focusing on "rules of thumb" rather than more abstract financial principles, seem to make more of an impact on participants. The goal, after all, isn't to create a population of personal-finance experts, but rather to help people make better decisions for their own money.

Source: <http://money.usnews.com/money/blogs/alpha-consumer/2012/10/11/is-financial-education-worth-the-cost>

## Upcoming Events

### Thursday, November 1, Jacksonville

**Teacher Workshop - Evening with the Fed 2012--Myths, Tall Tales, and Urban Legends: Facts behind the Fed**

Sponsored by the Federal Reserve Bank of Atlanta - Jacksonville Branch. For more information, contact Lesley Mace at [lesley.mace@atl.frb.org](mailto:lesley.mace@atl.frb.org).

## October 4-5

### **Miami Financial Planning Day**

Miami-Dade College-Wolfson Campus; Building 2, Room 2106; 300 N.E. 2nd Ave;  
Miami, FL 33132

Thursday, October 4; 4:00 pm-7:00 pm

Friday, October 5; 11:00 am-2:00 pm

Register for free at [www.FinancialPlanningDays.org/Miami](http://www.FinancialPlanningDays.org/Miami)

or call 1.877.861.7826

## Tuesday, November 13, 9–11 am

### **Clearwater - Florida Prosperity Partnership 2012 Fall Regional Meetings**

Juvenile Welfare Board - see details below

## Thursday, November 22, 10-11 am

### **Florida Jump\$tart Coalition Board Meeting, Conference Call**

## Friday, November 30

### **Florida Students \$ave Essay Contest – deadline for submissions**

Sponsored by the Department of Financial Services' Division of Consumer Services.

Visit [www.MyFloridaCFO.com/YMM](http://www.MyFloridaCFO.com/YMM) for details.

## News Briefs

### **Wells Fargo Offers Free Credit Scores to Every Consumer Customer**

(Oct. 2, 2012; SAN FRANCISCO) — Consumers' credit profiles affect their ability to borrow and the interest rates they'll pay. And, lenders aren't the only people who use credit scores to make decisions - many insurance companies, cell phone providers and landlords do, too.

To help customers know where their credit stands and how to better manage their credit, Wells Fargo & Company will launch two initiatives to encourage consumers to take charge of their credit situations:

- Free Credit Score for every Wells Fargo consumer customer.
- Credit Education through the American Bankers Association's *Get Smart About Credit* day on Oct. 18.

"Knowing how to use credit responsibly is an essential part of our customers' ability to reach their financial goals," said Tom Wolfe, head of Wells Fargo's Consumer Credit Solutions Group. "We want our customers to feel empowered to take charge of their credit and we believe we have an important role in providing the access and information that will help them do just that."

Source: <http://www.marketwatch.com/story/wells-fargo-offers-free-credit-scores-to-every-consumer-customer-2012-10-02>

### **Océ Partners with Junior Achievement South Florida to Enhance Finance Education**

(Oct. 7, 2012; TRUMBULL, Conn) — Océ, a Canon Group Company and an international leader in digital document management, today announced an exciting collaboration that will help young people gain valuable insights into the world of work and financial literacy.

Océ joined forces with Junior Achievement (JA) South Florida to help provide life-changing educational experiences both in the classroom and at JA's new JA World Huizenga Center at Broward College.



For fifth and eighth graders, the program culminates in a one-day once-in-a-lifetime experience that provides real-world insights into the world of business and economic realities. Fifth graders participate in JA BizTown, while eighth graders partake in JA Finance Park.

Every day throughout the school year, volunteers guide 400 area children through these "mini-cities," each of which features 18 public and private businesses. Finance Park participants visit each business and use the information they receive to create their own personal budget. In BizTown, kids are assigned to specific jobs and receive a "paycheck" for their efforts, which can then be spent at one of the other storefronts.

As part of its community outreach, Oce donated the printing of 80,000 perforated checks for BizTown and Finance Park participants. It also volunteered to print additional collateral for JA South Florida, including teacher guides and student workbooks, as well as tickets, invitations and other materials for key fundraising events.

But Oce didn't stop there. Partnering with the Sun Sentinel newspaper to sponsor two BizTown storefronts, Oce donated a Canon 5150 printer and two Canon cameras to each of the storefronts, along with the toner and service on the printers. Children assigned to work at the Oce /Sun Sentinel storefront take the pictures and write the stories that appear in a daily newspaper which is then made available for purchase by other participants. Thanks to Oce, the resulting newspaper is a high-quality full-color souvenir of an unforgettable day.

Source: [http://uspolitics.einnews.com/pr\\_news/117941069/oce-partners-with-junior-achievement-south-florida-to-enhance-education](http://uspolitics.einnews.com/pr_news/117941069/oce-partners-with-junior-achievement-south-florida-to-enhance-education)

### **Recap from US Financial Literacy and Education Commission Meeting**

On October 18, 2012, the Financial Literacy and Education Commission (FLEC) held its quarterly meeting; FLEC is comprised of the heads of 20 federal agencies, including NCUA and the other financial regulators. Consumer Financial Protection Bureau (CFPB) Director Corday made several remarks regarding financial literacy and the CFPB's role and responsibilities in addressing the issue. Director Corday noted that the CFPB is focusing its efforts in the following three areas:

- Assessing what is and is not working, and why, in the area of financial education;
- Helping consumers to understand the importance of the major financial decisions they must make, including paying for college, buying a home, and retiring. "People need to understand that they can't be casual about making some of these larger decisions that are really going to define the contours of their life and their opportunities," Corday stated.
- Closing the gap between the financial decisions consumers are expected to make—which are often at a high level of complexity and confusion—and the (financial) capability of those consumers to make such decisions—which is often at a much lower level. This requires closing the gap at both ends. At the upper end, the challenge is to make some of these complex decisions closer to consumers' level of understanding, which can be done through things such as adequate disclosure (e.g., Know-Before-You-Owe). At the other (lower) end, the challenge is to increase the level of consumers' financial knowledge and understanding.

Each of the FLEC member agencies provided an update on their efforts regarding financial literacy and education, including Tonya Sweat, NCUA's Director of Consumer Compliance Policy and Outreach. Of note, Sweat mentioned NCUA's recent updates to its microsite [Pocket Cents](#) that is intended to introduce young people to the benefits of credit unions and the importance of setting financial goals.

In addition, Ted Beck, President and CEO of the National Endowment for Financial Education (NEFE) and member of the President's Advisory Council on Financial

Capability, spoke about the importance of having adequate data prior to making decisions regarding the specific direction of financial education efforts.

### **Sun Life Financial, Miami Dolphins Recognize Florida Nonprofits and Four Exceptional High School Seniors as Sun Life Rising Stars; Present \$220,000 in Grants and Scholarships**

(Sept. 19, 2012; WELLESLEY, Mass) — The U.S. business group of Sun Life Financial Inc. and the Miami Dolphins today announced South Florida's Sun Life Rising Star Awards program winners, awarding a total of \$220,000 in grants and scholarships to four local youth-oriented community organizations including American Association of Caregiving Youth, The Guadalupe Center, HANDY and The Women of Tomorrow Mentor & Scholarship Program as well as exemplary students nominated by each nonprofit: Sephora Dubreuze, Boca Raton Community High School; Candace Perez, Immokalee High School; Kimi Farrington, Pompano Beach High School; and Ashira Vantrees, Cooper City High School. The Sun Life Rising Star Awards program is the educational cornerstone program of the Miami Dolphins Foundation.

The Sun Life Rising Star Awards program addresses low high school graduation rates in large urban school districts by providing financial resources and education to students and nonprofit organizations and promotes financial literacy as a means to achieve life-long financial wellness and stability. Each winning organization receives a \$50,000 grant and selects an exemplary student they work with to receive a \$5,000 college scholarship. Since the program's inception, Sun Life has granted nearly \$3 million to 54 students and 47 nonprofit organizations across the country. This year, Sun Life expanded the program to seven cities from five in 2011, and will award grants and scholarships to students and nonprofits in Atlanta, Boston, Chicago, Houston, Philadelphia, Phoenix and South Florida.

Read full article at <http://www.dailyfinance.com/2012/09/19/sun-life-financial-miami-dolphins-recognize-florid/>

## **News from our Partners**

### **Florida Students \$ave Essay Contest Challenges High School Students to Ponder Financial Scenarios**

Florida Chief Financial Officer Jeff Atwater's Florida Students \$ave Essay contest empowers high school students to give serious thought to potential financial challenges and present financially sound solutions. Students are required to choose from three financial scenarios and explain how they would make sound financial decisions to successfully manage the situation.

The scenarios are:

- Step into the role of an entrepreneur and prepare a business plan to secure funds to start your new business with the mindset of going global in 10 years.
- Put yourself in the role of an investment advisor for a 35-year-old couple with two children headed to college in the next 10-15 years and devise a successful financial plan.
- Consider your own life financial goals and consider what you can do now to start moving in the direction of these goals – maybe it's to have a debt-free college education, start a business, or retire early.



These financial challenges allow students to make and communicate successful financial strategies.

The contest is open to all Florida students in grades 9 – 12. This includes students enrolled in Florida public, private, charter, virtual, alternative, and home school. First, second, and third-place winners will be awarded in each of five contest regions – Northwest Florida, Jacksonville, Orlando, Tampa and South Florida – and cash prizes will be awarded in the amounts of \$250, \$100 and \$50.

All essays must be submitted by **November 30, 2012** (11:59 pm EST). For a complete list of rules, a map of contest regions and to submit essays, visit the Your Money Matter\$ website at [www.myfloridacfo.com/YMM/](http://www.myfloridacfo.com/YMM/) or call the Division of Consumer Services helpline at 1-877-MY-FL-CFO.

## Great Recession's Fallout Tests, Extends Standard Credit Counseling

(Oct. 8, 2012; *Orlando Sentinel*) — Shawn Walsh, 41, is director of outreach programs for Orlando-based InCharge Debt Solutions and a member of the Jump\$tart Coalition of Florida, a group of financial-literacy advocates. Below is an interview recently conducted with the *Orlando Sentinel*.



*CFB: A recent survey ranked Metro Orlando as the most "financially distressed" city in the country. What evidence of that do you see of that in the lives of average consumers here?*

I would say the biggest impact it has had is consumers do not have the ability to save like they did in the past. They are struggling to make ends meet due to loss of jobs and-or reduced income. They are living paycheck to paycheck just to pay the bills. It has changed the efforts [of organizations like InCharge], previously focused on unsecured debt, to include or emphasize current home issues that have taken over what use to be only credit-card issues.

*CFB: What effect has the credit crisis had on efforts to promote financial literacy in this region?*

Those consumers who previously were becoming more focused on learning about better money management and the responsible use of credit often lose that focus when stressed out about making ends meet and even losing their homes. It's more difficult to get those struggling with financial issues to concentrate on learning when they are dealing with these types of concerns.

*CFB: How many people does the Jump\$tart Coalition reach each year with financial-literacy programs?*

It is difficult to give you a precise estimate, since there are hundreds of organizations in Florida that are part of Jump\$tart, and each provides many, many courses and outreach activities every year. For example, we do courses with Habitat for Humanity of Central Florida, Goodwill, University of Florida, Fairwinds Credit Union, Apopka Middle School, Union Park Middle School, and on and on. We'd also have to factor in how many Jump\$tart members there are and how many people they reach as well. It's safe to say that Jump\$tart member programs in Florida provide financial-literacy education and standards to tens of thousands.

*CFB: How would you rate financial-literacy outreach here compared with other parts of the country?*

We understand that Florida has one of the highest unemployment and underemployment rates in the country. InCharge is doing everything possible to educate consumers. We have been involved with great organizations such as Goodwill, Habitat for Humanity, and Military Yellow Ribbon events, to name a few. There are many more efforts going on as we speak; I feel that other parts of the country have their own nuances about the community at large that they serve. InCharge's financial-literacy

efforts are consistently rated very highly, and the same is true with every other Florida Jump\$start member organization. Our participation at the national level has made it clear that Central Florida's financial-literacy efforts are as highly rated and well attended as anywhere in the country.

*CFB: Has the methodology changed through the years?*

I think the biggest evolution we have seen is consumers are more open to seeking help and getting educated than they have in the past. Having money problems in the past was an embarrassment to most; they did not want to let anyone know they had debt or could not afford a car and-or house payment. Now I have seen consumers seeking help and not being embarrassed. Credit counseling and financial literacy is not "taboo" anymore.

*CFB: Which approaches work now that maybe didn't work in the past?*

One thing that was very hard to counsel in the past was to have the consumer eliminate things from their budget. Today, consumers are much more receptive when we tell them they need to make a budget and cut back. Another methodology that has dramatically changed financial-literacy efforts is the use of the Internet for online courses, information and automated tools.

Full article at <http://www.orlandosentinel.com/business/os-cfb-talking-with-walsh-1008-20121007,0,4242494.story>

## Financial Literacy Research

### **FDIC Releases National Survey of Unbanked and Underbanked: FDIC's Committee on Economic Inclusion to Discuss Strategies to Expand Access**

(Sept. 12, 2012; *FDIC*) — The Federal Deposit Insurance Corporation (FDIC) today released the results of its *2011 National Survey of Unbanked and Underbanked Households* (<http://fdic.gov/householdsurvey/>) the most comprehensive survey on the unbanked and underbanked in the United States. The survey indicates that more than one in four U.S. households (28.3%) are either unbanked or underbanked, a slight increase from the findings of the FDIC's 2009 inaugural survey. The survey, conducted every two years by the FDIC in partnership with the U.S. Bureau of the Census, provides the banking industry and policy makers with insights and guidance on the demographics and needs of the unbanked and underbanked.

According to the 2011 Survey, 821,000 more U.S. households have become unbanked since the first survey in 2009, representing a 0.6 percentage point increase. More than half of all unbanked households said they do not have an account because they believe they do not have enough money or that they do not need or want an account. In addition, the report shows that three in ten households nationally do not hold a savings account.



"The results of the 2011 National Survey of Unbanked and Underbanked Households indicate that insured financial institutions have an important chance to grow their customer base by expanding opportunities that bring unbanked and underbanked individuals into mainstream banking" said FDIC acting chairman Martin J. Gruenberg.

Other key findings of the survey include:

- 8.2 percent of U.S. households are unbanked. This represents one in 12 households in the nation, or nearly 10 million in total. Approximately 17 million adults live in unbanked households.
- 20.1 percent of U.S. households are underbanked. This represents one in five households, or 24 million households with 51 million adults.

- 29.3 percent of households do not have a savings account, while about 10 percent do not have a checking account. About two-thirds of households have both checking and savings accounts.
- One-quarter of households have used at least one alternative financial service (AFS), such as non-bank check cashing or payday loans in the past year, and almost one in ten households have used two or more types of AFS products or services. In all, 12 percent of households used an AFS in the past 30 days, including four in 10 unbanked and underbanked households.

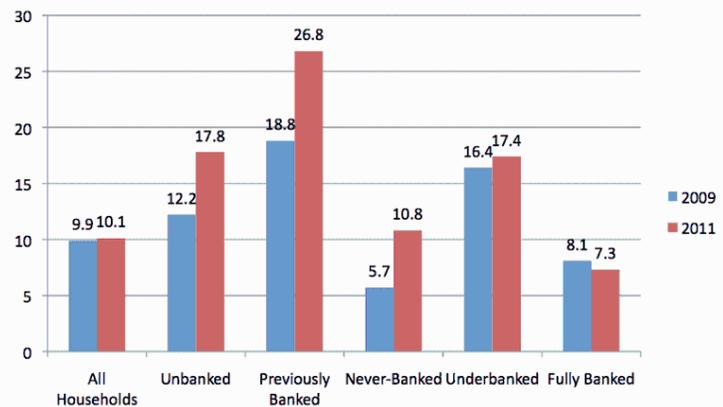
"There are many positives to establishing a relationship with an insured financial institution. Access to an account at a federally insured institution provides households with the opportunity to conduct basic financial transactions, build wealth, save for emergency and long-term security needs, and access credit on fair and affordable terms," Gruenberg said.

Source: <http://fdic.gov/news/news/press/2012/pr12105.html>

### Data from Bank On Florida

Bill Mills, Bank On Florida Director, reported on the picture in Florida. The Federal Deposit Insurance Corporation (FDIC) has released the 2011 FDIC National Survey of Unbanked and Underbanked Households.

Unfortunately, the numbers of unbanked and underbanked, in Florida, have increased. 7.3% of households in Florida are unbanked. 21.1% of households are underbanked.

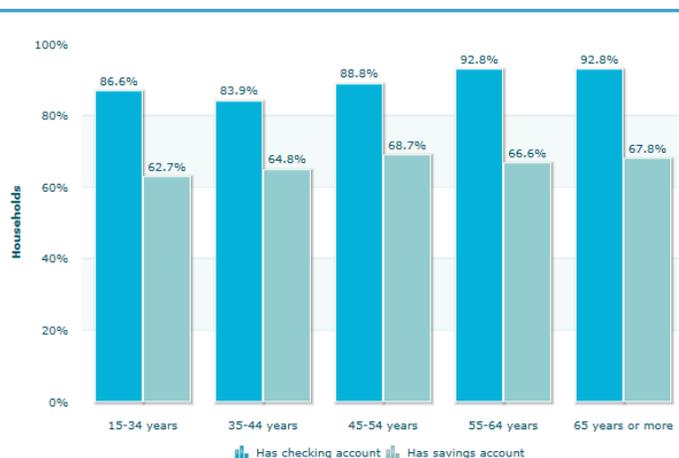


Compare this to 2009 where 6.9% of households in Florida were unbanked and 17.1% of households were underbanked."

You can read the full report at <http://fdic.gov/householdsurvey/> and use their interactive map (<http://www.economicinclusion.gov/>) to find more Florida-specific information such as the chart below.

Of note in the survey is the increased use of prepaid cards for every banking status except those that are fully banked.

Household Ownership of Checking or Savings Account by Age





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