FINANCIAL EDUCATION AND ITS ROLE IN EQUITABLE ACCESS TO POSTSECONDARY EDUCATION & TRAINING

A synopsis of a policy convening discussion held on January 26, 2021

FOREWORD

In early 2021, the National Endowment for Financial Education® (NEFE®) and the Council for Economic Education (CEE) convened a series of virtual policy discussions to explore issues surrounding the state of financial education.

Stakeholders across the country gathered to discuss challenging aspects of the financial education field, with the goals of:

- Encouraging intentional approaches to financial education policy and practice that focus on evidence-based strategies, are informed by the right stakeholders and drive toward meaningful impact.
- Developing research questions that, if answered, could inform and advance the field.
- Facilitating spaces for individuals to network across agency and organizational sectors, making financial education conversations more connected.

Each convening consisted of presentations from industry leaders, large-form discussions and small group brainstorming sessions. This summary captures the major discussion points and themes we heard during this event.

NEFE and CEE acknowledge that we don't have a complete view of the challenges discussed in any of the convenings because of the limits of participant perspectives. These conversations are simply a start.

FINANCIAL EDUCATION AND ITS ROLE IN EQUITABLE ACCESS TO POSTSECONDARY EDUCATION TRAINING: EVENT OVERVIEW

Based on current projections from the Pew Research Center[1], many Americans will not meet the educational requirements to compete for jobs in an increasingly global economy. One barrier is the choice not to pursue postsecondary education due to existing understanding (or misunderstanding) of college affordability.

"We need to ask students for their stories—it could lead to more fruitful discussions."

[1]Pew Research Center (**www.pewresearch.org**) **The State of American Jobs**

On January 26, a total of 33 educators, advocates and dedicated professionals explored this issue and its links to quality financial education. Rachel Yanof, executive director of **Achieve60AZ**, served as moderator for this convening, which focused on strategies to make personal finance education a cornerstone in building better, more consistent access to the postsecondary education and training.

The conversations were built around several general points:

- Financial education alone cannot solve this problem.
- A person's decision to attend college is not based solely on finances.
- Postsecondary education is not for everyone.
- Financial knowledge cannot override philosophies set by community and culture.

These points provided a common starting point for the day's discussions, which included the following topics:

- The inequities that exist in financing postsecondary education and training, including assumptions regarding how a family pays for college, the type of college a student attends, how much debt to take on and how easy or difficult it is to pay down debt,
- The concept of access, which enables a wealthy student to be more likely to attend their college of choice, and
- A lack of experience and training to tackle complicated borrowing decisions due to limited financial experience and guidance.

> ***"We need to overcome the difference between college "price" and "cost." Students need access to and knowledge of programs to reduce actual cost."***

WHAT WE HEARD

Awareness of barriers, and not of solutions, can deter postsecondary considerations for students.

Participants shared common stories of how college affordability is linked to students making the choice to bypass postsecondary education as early as middle school. Discussions focused on how this can exacerbate existing inequities, meaning wealthier students can consider multiple postsecondary options whereas lower-income peers can feel shut out. According to the Institute for Higher Education Policy's 017 research, most colleges are unaffordable for 80 percent of theoretical students, and students from lower income backgrounds could only afford 1 to 5 percent of the 2,000 colleges examined.

For those considering community college – where tuition issues are diminished (but not eliminated) – there are still barriers to overcome including transportation to school, where to live, food options and other obstacles that still exist despite not attending a four-year institution.

> **According to the Institute for Higher Education Policy's 2017 research, most colleges are unaffordable for 80 percent of theoretical students, and students from lower income backgrounds could only afford 1 to 5 percent of the 2,000 colleges examined.[2]**

[2]Institute for Higher Education Policy (**www.ihep.org/**) (March 2017) **Limited Means, Limited Options**

Beyond affordability, there also are cultural barriers that should be considered regarding postsecondary education. Participants shared stories about the role culture plays in understanding postsecondary education finances, such as:

- Language barriers,
- Not addressing student/family norms and values, such as whether postsecondary education is considered an extraneous cost,
- Lack of direction from trusted sources; and
- Lack of family experience with postsecondary education and/or financial education.

Convening participants discussed the importance of students remaining engaged in making post-high school education/training plans and providing more information to parents about the financial feasibility of these options. Possible courses of action for students after high school should reflect cultural norms and financial situations; they should also consider if working while in school is a necessity and if so, how to achieve a work/study balance to ensure successful completion of the selected program of study.

There is not a "one-size-fits-all" solution, but several recommendations were made that could be utilized and built upon:

- Ensure the five elements of effective financial education programming[3] are embedded in all state programs and policies: well-trained educators, vetted/evaluated financial education program materials, timely personal finance instruction, relevant financial topics and program evaluation.
- Engage parents/guardians, especially in multilanguage and multigeneration homes.
- Emphasize the different benefits to investing in postsecondary education, based on knowledge of specific communities and cultures.
- Provide more support to educators to help them reach out through extra-curricular activities.

The choice to not pursue postsecondary education should be based on personal preference, not on financial barriers.

"People who qualify for financial aid don't always get into college; some opt out based on assumptions that college is not for them or that it is too expensive."

[3]National Foundation for Financial Education **(www.nefe.org) Five Key Factors for Effective Financial Education**

"Some community colleges embrace the idea that before getting a scholarship or grant, there is a requirement for financial education."

Financial education impacts college and lifelong financial behaviors.

Training and tools need to be widely incorporated for students and parents to keep postsecondary education as an option, especially for disadvantaged populations. When properly implemented, personal financial education and financial literacy can help set young adults on a path to achieving their personal and professional goals.

The average student loan balance per borrower is more than $35,000[4]. This has the potential to be a difficult sum to pay off – whether a degree is earned or not – and can force borrowers to delay important life/financial decisions.

As part of the convenings opening remarks, it was highlighted that many students do not have the experience or training to make informed decisions regarding complicated lending products, such as student loans. Barriers include:

- A lack of education on the inequities in financing postsecondary education and training, including those concerning generational wealth disparities, how a family pays for college, how much debt to take on and the process for paying down that debt.
- A lack of resources to properly understand the diverse and complex financing options, borrowing terms, costs and repayment options; and
- The false dichotomous narrative that one's options after high school consist of either work or school.

Discussions focused on the challenge of schools/school districts not having defined departments for financial education curriculum. Also raised was the need for additional training, not only to engage students effectively in financial education, but to engage parents on this topic. Counselors are often tasked with this role, but those who do hold that title are already spread thin.

There is compelling evidence that students who have taken a personal finance course make more informed and sensible borrowing decisions. For example, when high schools required financial education, their students were more likely to do the following in college and beyond:

- Shift to lower-cost college financing products and applied more frequently for grants,
- Have lower levels of credit card debt,
- Give more thought to budgeting, and
- Borrow less from private lenders.

Additionally, this same study shows that the benefits are more significant for young people from lower-income households. Personal finance education makes better informed borrowers.

[4]Educationdata.org **(www.educationdata.org) Average Student Loan Debt**

ADDENDUM

NEXT STEPS

For Practitioners

- Emphasize the ROI to students considering postsecondary education and training and/or explain that postsecondary education isn't an essential next-step.
- Promote that work vs. school is a false choice and that there are resources and guidance to allow students to have the opportunity to do both (if the student chooses).
- Provide emotional support to promote resiliency and help students overcome feelings of immediate failure and discouragement.
- Eliminate the stigmas tied to the Best College vs. The Best College for The Student debate by encouraging students to make choices based on personal preference.
- Eliminate stigma of four-year college vs. community college.
- Include families and students in policy conversations about financial education such as how to pay for college and professional credentialing/training.
- Start earlier and leverage early childhood education to inform parents of available resources, guidance and funding mechanisms.

State Policymakers and Stakeholders

- Develop improved training for educators to supplement financial education through different curricula.
- Ensure NEFE's five key factors are embedded in state programs and policies.
- Incorporate strategies for individuals and families who are multilanguage and who may live in multigenerational homes to become more engaged in the process.
- Determine whether the K8 mandates are beneficial.
- Incentivize partnership expansion.
- Develop tools to help teachers teach financial education, based on their area of expertise (math, social studies, gym, etc.).
- Utilize community-based employers as policy partners.
- Build a structure where teachers feel comfortable with their own finances to enhance their "comfort level" teaching the topic.
- Build awareness ensuring more borrowers know about income-based repayment options.
- Improve ease of transfer from community college programming to four-year institutions (remove points of tension).
- Centralize data collection and interagency data sharing at the state level to influence policy.

For National Consideration

- Establish criteria for “earn while learning” programs with enhanced work/study options.
- Incentivize employers to provide and employees to take advantage of student loan repayment/tuition assistance programs.
- Address the existing pitfalls tied to community college attendance (housing issues, transportation issues, inconsistent broadband, transition to four-year school, etc.)
- Make the Free Application for Federal Student Aid (FAFSA) completion more attractive (perhaps mandated) and easier (complete it during the school day with aid from counselors).
- Address the quality of financial education standards.
- Develop financial education policies that are malleable and useful for all types of communities.
- Couple personal financial literacy with postsecondary incentives such as lower loan rates, grant aid awards, etc.

Questions for Researchers

We heard diverse perspectives on what next steps for the financial education field should look like, but these questions surfaced as the next thing the community of practice should answer to move the field forward. These questions are relevant to the topics from all five events:

- Where is financial education the right tool to improve financial well-being and where could choices and behaviors be the driver for influencing financial well-being?
- What is the cost of *not* offering financial education?
- Is there research from other education disciplines that could help inform the effectiveness of financial education?
- Is there research from other disciplines outside of education we could use to make the case for financial education?
- What is the business case for financial education? Can we quantify the economic return? What is the public benefit?
- What is the business case for financial education? Can we quantify the economic return? What is the public benefit?

“No one likes unfunded mandates. We need help funding financial education with resources and tools to make it work.”

APPENDIX A—PROGRAMS REFERENCED DURING POLICY CONVENING[5]

- Interactive budgeting simulations
- Programs such as **Earn to Learn**, **Oregon Saves**, **GearUp** and **TRIO**
- Statewide College Savings Account (CSA) programs (MA, ME and AZ)
- Virginia using W!se certification to credential educators

APPENDIX B—ORGANIZATIONS AND STATES REPRESENTED DURING THE EVENT

Organization	State
Arizona Council on Economic Education	Arizona
Achieve60AZ	Arizona
Arizona Council on Economic Education	Arizona
Assembly Education Committee	California
Brookings Institute	Alabama
California Community Colleges Chancellor's Office	California
California Council on Economic Education	California
California Department of Education	California
California Jump$tart Coalition	California
California State Treasurer's Office	California
Center for Financial Literacy, Champlain College	Vermont
Colorado Treasurer's Office	Colorado
Consumer Dynamics	New Mexico
Consumer Financial Protection Bureau	Washington D.C.
Council for Economic Education	New York
National Center for Education Statistics	Washington D.C.
Federal Deposit Insurance Corporation	Washington D.C.

[5]Please note that this is a list meant to describe programming referenced during these conversations by event participants and does not represent an endorsement by the National Endowment for Financial Education nor the Council for Economic Education.

Federal Reserve Bank of Atlanta	Georgia
Federal Reserve Bank of San Francisco	California
Federal Reserve Board	Washington D.C.
Federal Student Aid	Washington D.C.
Finance Authority of Maine	Maine
Jump$tart Coalition for Personal Financial Literacy	Washington D.C.
Minnesota Council on Economic Education	Minnesota
Montana State University	Montana
National Association of State Treasurers	Washington D.C.
National Endowment for Financial Education1	Colorado
Nevada Department of Education	Nevada
Nevada State Treasurer's Office	Nevada
New Mexico State Treasurer's Office	New Mexico
Next Gen Personal Finance	California
New Mexico Public Education Department	New Mexico
Office of the Arizona State Treasurer	Arizona
Opportunity Alliance Nevada	Nevada
Oregon State Treasurer	Oregon
Peoria Unified School District	Arizona
San Andreas Regional Center	California
San Diego Workforce Partnership	California
San Francisco Office of Financial Empowerment	California
The WorkPlace	Connecticut
U.S. Department of Education/National Center for Education Statistics	Washington D.C.
University of Arizona	Arizona
University of North Carolina at Chapel Hill	North Carolina

U.S. Department of the Treasury	Washington D.C.
Utah Office of State Treasurer	Utah
Washington Office of Superintendent of Public Instruction	Washington
West Albany High School	Oregon

> ***"Many districts experience fluency barriers causing difficulty in communication, resulting in immigrants kids lacking the information they need to access college."***

APPENDIX C—HELPFUL DEFINITIONS AND RESOURCES

Helpful definitions

Access in education refers to the ways in which educational institutions and policies ensure that students have equal and equitable opportunities to take full advantage of their education. (Glossary of Education Reform)

Diversity: The representation of a range of groups in a given setting, including but not limited to age, disability, ethnicity, gender, gender identity, marital status, national origin, race, religion, sexual orientation, or veteran status. (PolicyLink)

Equality in education is achieved when students are all treated the same and have access to similar resources. (National School Board Association)

Equity: Just and fair inclusion into a society in which all can participate, prosper, and reach their full potential. (PolicyLink)

Inclusion: Creating environments and cultures in which people can work together in ways that honor diverse backgrounds and perspectives and that call out power imbalances and biases. (PolicyLink)

Postsecondary Education: The provision of formal instructional programs with a curriculum designed primarily for students who have completed the requirements for a high school diploma or equivalent. This includes programs of an academic, vocational, and continuing professional education purpose, and excludes avocational and adult basic education programs. (NCES)

Many students do not have the experience or training to make informed decisions regarding complicated lending products, such as students loans.

> *"Lack of finances impacts students beyond traditional four-year colleges. Even community colleges have issues—no housing, lack of transportation, spotty broadband—it all comes down to money."*

Helpful resources

2020 Survey of the States (CEE)

The Education Changemaker's Guidebook to Systems Thinking (KnowledgeWorks)

The Effects of K-12 Financial Education Mandates on Student Postsecondary Education Outcomes [Executive Summary] (Dr. Carly Urban and Dr. Christiana Stoddard)

The Effects of K-12 Financial Education Mandates on Student Postsecondary Education Outcomes [Final Research Report] (Dr. Carly Urban and Dr. Christiana Stoddard)

How Did State Mandated Financial Education Standards in Oklahoma Affect the Credit Behaviors of Young Adults? (Dr. Carly Urban, Dr. Maximillian Schmeiser, Dr. Alexandra Brown)

Race, Ethnicity, and the Financial Lives of Young Adults: Exploring Disparities in Financial Health Outcomes (Financial Health Network and GenForward)

TN FAFSA Frenzy Toolkit (Tennessee Department of Education, Tennessee Higher Education Commission, Tennessee Student Assistance Corporation, Ayers Foundation, tnAchieves)

About NEFE

NEFE is a nonprofit, nonpartisan, independent leader that provides guidance, research, resources and thought-leadership for the national community of financial well-being advocates. We envision a nation where everyone has the knowledge, confidence and opportunity to lives their best financial life. Learn more at **www.nefe.org**.