

# Nefe Digest

January/February 2016



## Financial Capability Research: Why Bother?

**T**here has never been a shortage of effort by hands-on practitioners in financial education, but for 25 years, research has been racing to catch up.

Personal finance, once a peripheral afterthought of economics, now encompasses diverse disciplines such as psychology, anthropology and marketing to study financially driven mindsets and behavior. Reflection on what does and doesn't work only helps improve the field.

Even so, the financial education community receives only a miniscule fraction of the funding available for social science research.

Practice needs theory, and theory needs practice. Join our conversation to explore this dependency in greater detail throughout 2016.



NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION

# Disrupting the Status Quo

By Billy J. Hensley, Ph.D.,  
NEFE Director of Education

**I**n our role within the larger movement to improve the field of financial capability, NEFE has worked diligently to sponsor research that expands understanding of both theory and practice.

Practitioners who talk only to themselves, and researchers, theorists and academics who discuss what their findings mean only within peer-reviewed research literature, are taking the easy road. Circumscribed communications like these create barriers to entry for other points of view and make it easy to miss opportunities to improve on all sides.

It is challenging to bridge practice and inquiry, but NEFE aims to facilitate dialogue among the numerous facets of the financial education community through salons, forums and other convenings. These venues are a way for representatives of all the field's constituencies to share ideas together – not just physical space, but a mutual desire to understand and learn from one another.

*“Practitioners who talk only to themselves, and researchers, theorists and academics who discuss what their findings mean only within peer-reviewed research literature, are taking the easy road.”*

When I joined NEFE, the organization was in the midst of planning the Quarter Century Project (QCP), an initiative to review, collect and disseminate the body of research on financial education from 1985 to 2010. The QCP, a collaboration with project leader Tahira K. Hira, Ph.D., produced a seminal research paper that explained the collective information on financial education and capability research available, the gaps in the research and opportunities for additional inquiry.

This project refined and concentrated the focus of all NEFE's research and thought leadership activities since 2010. The Quarter Century Project produced a roadmap that guides NEFE's work, and that we encourage our colleagues to use and reference as well.

This has allowed us to promote a breadth of research topics and approaches that have offered significant advances and spurred further research. Also, we have specifically focused on multidisciplinary methodology and welcomed fields of study closely aligned with, but relatively new to, financial capability.



NEFE strives to sponsor events and studies that work toward improving the financial education outcomes of learners and consumers. NEFE's sponsorship has included:

- a meta-analysis of current financial education research, which revealed areas in which financial literacy can still improve;
- research into vulnerable populations, which has shown the specific needs and context of certain groups;
- and the creation and examination of new and important data sets, providing significant information on special populations.

These studies demonstrate what can be learned by in-depth quantitative and qualitative research on the determinants of financial literacy and financial behavior. As such, throughout 2016, *Digest* will share key findings and implications of NEFE-funded research, discussing what the conclusions mean for the broader field and highlighting opportunities for further exploration.

In every research initiative, NEFE aspires to expand the field of financial literacy, and the resulting contributions have served to address some of the gaps in the literature. Our field is far from declaring victory, but we want to be a channel for research that will continue to expand and grow what we know about practice and theory and about our collective successes and needs.

As I have said many times, there is no one-size-fits-all approach to financial education, but our field gains new insights daily. I'm convinced that the more quality research, evaluation and dialogue we can foster, the closer we can get to transcending the factors that inhibit effective financial education. ▀

For more on the QCP, visit [www.nefe.org](http://www.nefe.org) and search for "Quarter Century Project."

# NEFE-Funded Research Since the Quarter Century Project

In 2010, NEFE and project leader Tahira K. Hira, Ph.D., convened financial capability experts nationwide to review 25 years of financial education research in order to build consensus on what was known, uncover gaps in research, strengthen the research focus of the field and establish clearly defined research goals. In the five years since, NEFE has continued the work begun by the Quarter Century Project by funding game-changing research into financial capability.

2011	University of Notre Dame		<b><i>The Significance of Gender for Savings and Retirement</i></b> Ethnographic study of how gender affects savings and retirement in Latino communities.
	University of Colorado		<b><i>A Meta-Analytic and Psychometric Investigation of the Effect of Financial Literacy on Downstream Financial Behaviors</i></b> Meta-analysis of existing financial education research to understand why some studies show strong effects of financial literacy and others show weak or no effects.
	The Ohio State University		<b><i>Financial Behavior, Debt and Early Life Transitions: Insights from the National Longitudinal Survey of Youth, 1997</i></b> Exploring financial behavior, debt and early life transitions among young adults coming of age in the 2000s.
2012	Columbia University		<b><i>Cognitive Capabilities, Decision-Making Ability and Financial Outcomes Across the Lifespan</i></b> Exploring the ways financial outcomes relate to cognitive ability and financial ability.
	University of Arizona		<b><i>Transitioning to Adulthood in Rough Economic Terrain: APLUS Wave 3</i></b> Following young adults from college to the workforce to see how this time of passage affects financial attitudes, behaviors and overall well-being.
2013	University of Alabama at Birmingham		<b><i>Early Warning Signs of Impaired Financial Skills in Older Adults</i></b> Studying financial capacity in the elderly to identify very early financial skill declines in cognitively normal older adults.
	The George Washington University		<b><i>Financial Capability Among Young Adults</i></b> Assessing determinants of young adults' financial behavior, including demographic characteristics, income shocks and financial literacy.
2014	Duke University		<b><i>Social Influences on Financial Decision Making</i></b> Evaluating how social influences (i.e., social norms, information provided by friends and relatives) shape financial literacy and decision making within adolescents and young adults.
	University of Kansas		<b><i>Building Financial Self-Efficacy in Low-Income Young Children</i></b> Studying the effects of financial education and Child Savings Accounts (CSAs) on five- to nine-year-old children's financial knowledge and emerging identities of financial and educational success.
	The New School		<b><i>Untangling the Determinants of Retirement Savings Balances</i></b> Studying how life events (such as unemployment spells, disability, marriage and divorce) impact retirement savings and how these impacts differ by race, sex and income categories.
2015	The Ohio State University		<b><i>Diverging Paths: Youth Debt, College and Family Background</i></b> Expanding knowledge about social groups – such as community college students, youth from lower income families and youth who experience financial problems – for whom student loans may be particularly important, but also risky.
	University of Minnesota		<b><i>Adult Fiscal Competency: An Analysis of Financial Behavior During the Transition to Adulthood</i></b> Examining emerging adult financial behavior as a decision-making process leading to adult thriving.
	The George Washington University		<b><i>Enhancing Retirement Savings with School-Based Financial Education</i></b> Insights into how high schools can play a role in shaping the financial habits of future consumers.

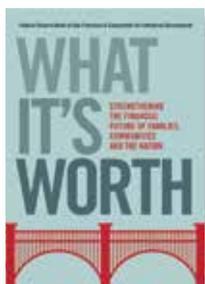
For more information, visit [www.nefe.org/research](http://www.nefe.org/research)

# NEFE Contributes to New Book on Financial Wellness



1331 17th Street  
Suite 1200  
Denver, CO 80202

**O**n December 8, the Center for Enterprise Development (CFED) and the Federal Reserve Bank of San Francisco released a book titled *What It's Worth: Strengthening the Financial Futures of Families, Communities and the Nation*, consisting of 40 essays by leading experts on economics, financial services, public policy and philanthropy from across a broad range of sectors.



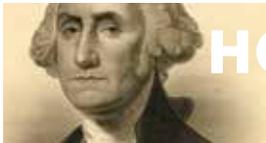
NEFE President and CEO Ted Beck's essay titled "The Upside of Aging: Maximizing Wisdom in Financial Decision Making" highlights recent NEFE-funded

research from Columbia University and the University of Alabama at Birmingham on how normal aging affects financial decision making, early warning signs of financial decline, and "5@50: Five Financial Steps to Take in Your 50s."

*What It's Worth* includes innovative approaches to improving financial wellness already underway across the nation, such as Children's Savings Accounts (CSAs), financial coaching programs aimed at low-income workers and students, and creative workplace strategies to engage employees.

The full book is available for download at [www.strongfinancialfuture.org](http://www.strongfinancialfuture.org).

The mission of the National Endowment for Financial Education is to inspire empowered financial decision making for individuals and families through every stage of life.



## HOLIDAY CLOSINGS

NEFE will be closed Jan. 1 for New Year's Day and Feb. 15 for President's Day.

### Stop by our booth or look for us at the following conferences:



Operation Hope Global Forum . . . . .	Jan. 13-15	Atlanta
American Association of Community Colleges (AACC) Workforce Development Conference . . . . .	Jan. 20-23	New Orleans
Colorado Fiscal Fitness Teacher Training . . . . .	Jan. 22-24	Denver
National Academy of Social Insurance . . . . .	Jan. 27-28	Washington, D.C.
National Council for Community and Education Partnerships (Gear Up) . . . . .	Jan. 31- Feb. 3	New Orleans
Southeastern Association of Education Opportunity Program Personnel (SAEOPP) Conference . . . . .	Feb 14-17	Orlando, Fla.
First Year Experience (FYE) Conference . . . . .	Feb. 20-22	Orlando, Fla.
National Association of Secondary School Principals (NAASP) Conference Ignite . . . . .	Feb. 25-27	Kissimmee, Fla.

The *NEFE Digest* is available by mail or email. **To subscribe**, visit [www.nefe.org/press-room/subscribe](http://www.nefe.org/press-room/subscribe); **to unsubscribe**, visit [www.nefe.org/press-room/unsubscribe](http://www.nefe.org/press-room/unsubscribe). **For more information** on NEFE, visit [www.nefe.org](http://www.nefe.org). **To follow us on Twitter**, visit [www.twitter.com/nefe\\_org](http://www.twitter.com/nefe_org).

© January 2016, National Endowment for Financial Education (NEFE). All rights reserved. *NEFE Digest*, NEFE Financial Literacy Resource Center, and NEFE High School Financial Planning Program (HSFPP) are service marks of the National Endowment for Financial Education. Certified Financial Planner and CFP are marks of the Certified Financial Planner Board of Standards, Inc. Accredited Financial Counselor (AFC) is a mark of the Association for Financial Counseling, Planning and Education.

All questions regarding *NEFE Digest* may be addressed to the Marketing and Communications department. Editor: Cara Hopkins. NEFE is open Monday through Friday, from 8:30 a.m. to 5 p.m. Mountain Time. The main telephone number is 303-741-6333; the fax number is 303-220-0838.