Throughout college, Sarah and Matthew have relied on their respective parents to help them manage their money. Every month after Sarah pays off her credit card, her statement goes home so her mother can review it. If her mother sees Sarah is spending too much on eating out with her friends, she won’t directly tell Sarah to cut down on this habit, but she will guide Sarah to keep an eye on that area of her spending.

Continued on page 2
Matthew’s parents see his credit card statement every month, too—when they pay the bill. They don’t discuss Matthew’s spending unless something is significantly amiss. Although this is ensuring Matthew’s account always gets paid on time, it might be leaving him unprepared to manage his credit once he graduates and takes over the account.

Both Sarah and Matthew are “followers,” according to new research funded by the National Endowment for Financial Education (NEFE). They and a majority of their college student peers have developed their financial management styles based heavily on what they have observed from their parents—good or bad.

This is one of many findings from the latest wave of Arizona Pathways to Life Success in University Students (APLUS). The landmark longitudinal study began in 2007 with 2,100 then-freshmen at the University of Arizona; it since has provided an in-depth look into how young people develop financial capability and how that development will affect well-being later in life.

Parents Still Significant

As seniors in college, more APLUS students have declared themselves financially independent from their parents than when they first arrived at college. But their parents continue to provide valuable influence through ongoing communication and increased expectations, both of which correlate with financial capability. In fact, at this stage of the research, parents have 1.5 times more influence on their children than financial education, and more than double what children hear from their friends.

“The significant influence parents continue to play in their children’s financial lives is encouraging,” says Ted Beck, president and CEO of NEFE. “Parents need to recognize this and continue to evolve their support to fit their student’s growing independence.”

Financial Identities Emerge

As parental influence remains strong, the level to which APLUS students use it to define their financial management styles varies. Researchers found that APLUS students fall into three distinct groups, based on how much they rely on their parents or themselves to guide their financial decisions, and how their financial style affects their financial capability.

### Financial Management Styles of College Students

- **Drifters**
  - Least accepting of parents’ styles
  - Exploring, but not committed to, personal style
  - Average knowledge, worst behaviors

- **Followers**
  - Most accepting of parents’ styles
  - Most unconcerned about developing personal style
  - Better knowledge and behaviors than Drifters

- **Pathfinders**
  - Low accepting of parents’ styles
  - Most committed to personal style
  - Best knowledge and behaviors

### More to the Story

Three years and one financial crisis later, APLUS students have done more than just grow up. Here is a look at how they have changed since their freshman year.

- **Drifters**
  - Students not being claimed as dependent (+11%)
  - Extent to which parents modeled financial behaviors (-7%)
  - Parents’ expectations for responsible financial behaviors (+4%)
Researchers believe some young adults will retain their financial identities, while others will continue to evolve and change places as they encounter opportunities and challenges on the path to financial self-sufficiency.

**Financial Education ROI**

Earlier APLUS data showed that students who entered college with financial education under their belts knew more about finances and had healthier financial behaviors than their peers without such education. The latest wave reveals a snowball effect of this finding, in that early financial education exponentially increases the likelihood that students will seek further education — both formally and informally, through books, magazines, or seminars — down the road.

“It is especially notable that researchers are pinpointing cumulative financial education as a key positive influence,” says Beck. “It always made sense to believe that, but now we have proof.”

In addition to higher levels of financial knowledge, students with cumulative financial education develop increasingly responsible financial behaviors as they become financially independent adults.

“We are able to show linkages between repeated financial education and higher levels of good financial behaviors such as tracking expenses, paying credit cards in full, and saving money each month,” says Soyeon Shim, Ph.D., APLUS lead researcher.

**Continuing the Discovery**

APLUS findings don’t end here. Researchers are in the process of conducting in-depth interviews with 35 to 50 participants to learn more about how they think about finances, well-being, and life success. They also are planning the next wave of data gathering for spring 2013 to see how students’ changing professional and personal lives will impact various dimensions of their financial capability.

Learn more about the research by visiting www.nefe.org/aplus.
"What are the ingredients for an effective education program? We have to identify readily observable features that are known to facilitate desired outcomes. Just to have another certification doesn’t do anything if it doesn’t help the consumer.”

– Forum participant

Certification has become a buzzword within the financial education community. At the center of every conversation is the same question: Is certification an effective component of the overall strategy to improve the quality of financial education programs?

The Goods Market

Experience good
Don’t know quality until you try
(experienced teacher with financial education)

Credence good
Even if you try, you might not know quality
(inexperienced teacher with financial education)

When Consumers Don’t Know Quality:

Low market prices
Fewer high quality goods

Person who values low quality goods
underpays for a high quality good

Person who values high quality goods
overpays for a poor quality good

Some economists like certification
• Gives consumer more info
• Doesn’t restrict entry for goods

Person who values

Credence good
Even if you try, you might not know quality
(experienced teacher with financial education)

Credence good
Even if you try, you might not know quality
(inexperienced teacher with financial education)
To further the discussion, NEFE hosted a forum in April for experts in the field to examine the benefits, drawbacks, concerns, and outcomes of certification. While the ultimate consensus was that this issue needs more time and research, forum participants expressed a range of opinions, a sampling of which is illustrated below.

“Certification is not meant to drive out bad actors; it is meant to help educators and consumers sort through programs to find quality programs. If a side effect is that bad actors fall out, then that’s what happens.”
– Forum participant

“Certification might lead to the belief that we have all the answers about what works and why, which might stifle creativity. On the other hand, setting standards might encourage collection of better data, and we can use that for innovation.”
– Forum participant

Share your thoughts about certification by emailing marcom@nefe.org.
Year in Review

In 2011, NEFE reaffirmed its commitment to financial literacy by establishing a new vision and mission. We envision a world where people make informed, thoughtful, and beneficial financial decisions that are aligned with their values. And we will continue to work toward that ideal with a mission to inspire empowered financial decision making for individuals and families through every stage of life. Here's a look at how we worked toward these goals this year.

Tools for Practitioners

Helping Teachers Help Their Students
Although most states have added mandates for teaching financial education in K-12 schools, many have left it up to teachers who are unprepared or uncomfortable teaching the subject to students. NEFE and others in the Jump$tart Teacher Training Alliance recognized this discrepancy and decided to help by hosting trainings to educate teachers on personal finance, both in their personal lives and in their lessons with students. The Alliance piloted the training in Chicago, Denver, and Burlington, Vt., and it will continue to test and revise the program based on teacher feedback.
Learn more at www.jumpstart.org/teacher-training-alliance.

Encouraging Retirement Plan Participation in the Workplace
Human resource managers know that their employer-sponsored retirement plan is one of the most effective ways employees can save for their futures, but it can be difficult to bring some employees on board. NEFE took on this challenge with Retirement TLC, a new toolkit designed to help HR managers increase employee participation in workplace retirement plans. Based on NEFE-funded research at Dartmouth College, the toolkit helps HR managers identify employee groups that are underrepresented in company retirement plans, and gives HR managers tools, methods, and customizable resources to make enrollment easier and more appealing to employees.
Access the toolkit at www.retirementtlc.org.

Promoting Program Evaluation with Refreshed Toolkit
NEFE encourages all financial educators and practitioners to evaluate their programs, so they can know whether the education they are providing is truly helping improve consumers’ financial lives. To help, NEFE revamped its Financial Education Evaluation Toolkit®, an online tool that allows educators to learn about and create their own evaluations. The Evaluation Toolkit provides a highly intuitive database of evaluation templates, forms, and instructions that helps educators measure program results, improve their programs, and validate their programs to stakeholders.

Organizing 25 Years of Financial Literacy Research
NEFE and the Financial Literacy Center – a consortium of Dartmouth College, the University of Pennsylvania’s Wharton School, and the RAND Corporation – launched a searchable database of the most important personal finance research from the past 25 years, as identified through NEFE’s Quarter Century Project. With the Financial Literacy Research Library, researchers can search by keyword, date, or author to find references and abstracts for the entire collection. This allows researchers to:
• identify topics that have been thoroughly covered, thereby avoiding potential repetition
• build on completed research and add to the community of understanding
• more easily pinpoint and quantify gaps in the research, which are potential areas for growth
Read more about the Quarter Century Project at www.nefe.org/quartercenturyproject.

Consumer Resources

Giving Americans a Place to Talk about Money
Americans have been learning about financial decision making at NEFE’s Smart About Money website since 2005. This year, visitors to the site are learning from one another, too. NEFE launched the Smart About Money Community to encourage consumers to pose questions, share their stories, and offer support to others going through similar life events and financial challenges. This peer-to-peer learning, while not a substitute, is especially helpful for individuals who cannot afford to pay for financial guidance.
Sign up for the community at www.smartaboutmoney.org/community.
Focusing on the Underserved

- There are 7 million children with special needs in the U.S., and their parents face a unique combination of financial challenges. In recognition of this, NEFE and the PACER Center expanded a guide called Possibilities: A Financial Resource for Parents of Children with Disabilities. Originally created in 2001, the resource has been launched in a new online format that covers topics from organizing financial records to understanding various types of insurance.

  Find the guide at www.pacer.org/publications/possibilities.

- For many American Indians, the path to a college degree is packed with challenges. To support them on their quest to graduate, NEFE and the American Indian College Fund produced a series of online financial handbooks called Developing Your Vision While Attending College. The handbooks help students decide where to go and how to pay for college, develop money management skills, and choose a path after graduation.

  Access the handbooks at www.nefe.org/aicf.

Surveying Americans About Their Financial Lives

As part of our ongoing efforts to understand more about how consumers think about and behave with their money, NEFE commissioned research firm Harris Interactive to conduct online polls on a wide range of financial issues. We learned the following about consumers:

- how their past relationships were affected by financial deceptions
- what they do with their tax refunds
- how they are financially supporting adult children
- whether they talk about finances before getting married
- how their American Dreams have changed due to the recession

NEFE uses these insights to unveil trends to the media and craft helpful tips that better address consumers' needs.

Learn more at www.nefe.org/harris.

Financial Literacy Campaigns

Celebrating the 500th School Mark

With the November 2010 enrollment of the University of Utah, CashCourse®, NEFE’s free financial education resource for colleges and universities blew past the 500-school milestone and now has more than 630 schools enrolled. To celebrate, NEFE hit the Utah campus in January, spreading the word about CashCourse and promoting ways to make personal finance available, fun, and relevant to college students. During the event, NEFE hosted a financial literacy fair and a workshop for graduating seniors.

Watch a video with highlights from the CashCourse fair and workshop at www.cashcourse.org/home/case-studies/utah.

Learn more about the program at www.cashcourse.org.

Challenging Americans to a Reality Check

Does your spending need a reality check? NEFE asked Americans this question to kick off its second video contest on its website, Spendster. The contest challenged people to confess to purchases that, in reality, they never use or spend habits that have gotten out of control. The contest received 89 video entries, including the grand-prize-winning video from high school student Kelli Johnson, who said participating in the contest made her realize she needs to be more careful when she shops because most of her trendy purchases end up on her closet floor.

View all the contest entries at www.spendster.org/contests.

Ringing in Financial Literacy Month

NEFE rang the opening bell of the New York Stock Exchange (NYSE Euronext) on April 12 as part of NYSE Euronext’s Financial Literacy Week, and in recognition of the greater Financial Literacy Month. Joining NEFE on the floor were fellow collaborators on the Workplace Financial Fitness Toolkit, a Web-based program that provides employers with practical, ready-to-implement tools to build or improve workplace financial fitness programs.


To read more about NEFE’s activities in 2011, visit the NEFE Digest archive at www.nefe.org/nefedigest.
Senior Director of Marketing and Communications Patricia Seaman received the Barney Oldfield Distinguished Service Award from the Radio Television Digital News Association (RTDNA) in September.

RTDNA is the world’s largest professional organization devoted exclusively to electronic journalism, and it uses the Oldfield Award to recognize individuals who have contributed to the growth and success of its foundation (RTDNF). RTDNF Chairman Stacey Woelfel presented Seaman with the award at the Excellence in Journalism Conference in New Orleans.

“NEFE has a mission that fits perfectly with the best practices training mission of RTDNF—to assist journalists in helping educate the public on financial literacy,” Woelfel said. “Pat’s (Seaman) tireless efforts working with RTDNF to spread NEFE’s message has had a real impact.”

Learn more about NEFE’s work with journalists at www.nefe.org/pressroom.