

Don't Give Up on Personal-Finance Education

By Lewis Mandell

The meltdown of the American financial system has the entire country up in arms. Many believe that our financial illiteracy made us vulnerable to the dubious lending practices that have led many Americans to financial ruin.

For years, the nation's high schools have tried to remedy the problem with personal-finance classes, but without documented success. Five consecutive surveys by the [Jump\\$tart Coalition](#), a national clearinghouse for financial-literacy information, have found little evidence that teaching personal finance in high schools has resulted in much improvement in students' ability to understand and use financial information. In the Jump\$tart Coalition's 2008 survey, high school seniors correctly answered only 48.3 percent of the questions on finance put to them, a decrease from the class of 2006, which answered 52.4 percent of the questions correctly. Clearly we can do better. Measures that might help include a standardized curriculum, better training for teachers, and more-interactive teaching methods that incorporate current issues of importance to students.

The unsatisfactory results from teaching high school students also have led some educators to explore whether reaching a younger population might prove to be more effective. Pre-high-school students might be more open to new ideas and less subject to peer pressure, which often mandates certain spending choices and levels of consumption. Yet younger students may lack the background and the cognitive development to understand some of the key concepts of personal finance. So nontraditional types of education, those with a strong emotional appeal, may be more effective with them in communicating important concepts and helping them form behaviors that will benefit them throughout their lives.

One such approach is employed by the [National Theatre for Children](#), an in-school theater company that has been touring the country for four years with an improvisational play called "[Mad About Money](#)." The 25-minute play, performed by two actors, teaches youthful audiences about smart saving and spending habits with a lively, interactive format. Designed for middle school students, the "Mad About Money" program also includes a post-performance curriculum that builds on lessons from the play.

I collaborated with the national theater last fall to conduct a study aimed at measuring the effectiveness of this play in improving knowledge about savings. Students in grades 5-9 at 10 North Dakota schools attended the play and completed the post-performance exercises. They were given identical pre- and post-show tests that measured their knowledge of and attitudes toward savings.

We also conducted an experiment to see if the students' behaviors, in addition to their attitudes, would change as a result of seeing the play. Students were each given a dollar bill and told that if they brought back the same bill in two weeks, they would receive a second dollar. (Serial numbers were recorded to ensure accuracy.) The students were divided into a control group, which received the dollar several weeks before seeing "Mad About Money," and a test group that attended the play before getting the dollar.

We were heartened to find that "Mad About Money" significantly increased students' knowledge about savings. Overall, the students answered 72 percent of the questions correctly on the pre-test, but that number rose to 81.7 percent on the post-test. Females improved slightly more than males, and students who had seen a performance and had further instruction in the classroom afterward showed more improvement in their scores. Most notably, the students from the lower grades appeared to have much larger increases in their scores than those in the upper grades.

In the behavior experiment, we found that students who had more knowledge about savings were much more likely than others to return their dollar bills. But while 83.2 percent of the students who received dollar bills after watching “Mad About Money” later returned them to get another dollar each, 81.8 percent of the students who saw the play after they received their dollars also returned them. The difference, while positive, was not statistically significant. We regard these results as promising and feel that a second experiment, which uses a more meaningful amount of money (perhaps \$5 rather than \$1), would produce stronger results.

The findings from this study echo those of earlier research conducted in Chicago in 2005-06. In the [Chicago study](#), students at 10 middle schools were given similar tests before and after watching a financial-literacy production of the National Theatre for Children called “Googolplex.” Since the sample for the recent North Dakota study was large, the results provided additional verification for what the Chicago study showed: The earlier the grade, the more children learn from the play, and attitudes toward saving improve inversely with the grade level of the participants.

The U.S. Department of the Treasury, together with the U.S. Department of Agriculture’s Cooperative State Research, Education, and Extension Service, convened a [National Research Symposium](#) on Financial Literacy and Education last fall on behalf of the Financial Literacy and Education Commission. Its aim was to identify and recommend top research priorities to the commission. Some of the questions discussed included the following:

- What are valid and reliable measures of the success of financial education, and what measures should be used to document success for various financial topic areas and target audiences?
- How do financial socialization and education processes vary by gender, life stage, race, socioeconomic status, education, and ethnicity?
- What is the most effective mix of financial education, decision framing, and regulation to improve financial well-being?

The National Theatre for Children study provides at least partial answers to these questions. It demonstrates that the research is already being done, and that it’s time for the financial education community to make such research, especially those investigations on nontraditional educational methods, a focus of its work in the coming months.

The NTC study should convince educators that they should not be ready to give up on financial education. Rather than throwing in the towel and resigning ourselves to the notion that the younger generation will mimic their parents’ uneasy relationship with savings and credit, we should shift our focus from high school students to those just beginning middle school, and possibly even younger students. The earlier a young person learns about using money responsibly, the greater the chance that he or she will adopt sensible money habits and put them to good use for a lifetime.

Educators also should not underestimate the power of an emotionally appealing message in engaging student interest in personal finance. Getting students excited about saving and the ways that money could be used in the future may not only instill fiscal responsibility today, but also bring students a step closer to one of life’s biggest investments—a college education.

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