

2020 VISION: “*Changing the Face of Education in Fayette County*”

WORK GROUP: *Financial Literacy*

FINAL REPORT

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Number of Specific Recommendations: 4

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Overarching Recommendation:

Financial literacy education should become an integral part of the educational programs in the Fayette County Public Schools at all grade levels and across the curriculum.

Research Rationale:

Financial literacy is a critical component of a happy, well-adjusted citizen and contributing member of society. The ability to manage one’s own finances is a key indicator of well-being. Yet study after study indicates the woeful state of financial literacy and behavior among today’s young adults. A recent study conducted by Nellie Mae (http://www.nelliemae.com/library/ccstudy_2001.pdf) revealed that:

- 83% of undergraduate students have at least one credit card; a 24% increase since 1998.
- Average credit card balance is \$2,327; a 15% decrease from the 2000 average.
- Median credit card balance is \$1,770; a 43% increase above the median in 2000.
- Graduating students have an average of \$20,402 in combined education loan and credit card balances.
- Students double their average credit card debt - and triple the number of credit cards in their wallets - from the time they arrive on campus until graduation.

Further:

- 56% of parents believe high school graduates are totally unprepared to manage their personal finances responsibly. (*Visa USA, Visa USA Back to School Survey Shows Sex, Drugs and Money Management Top Issues Parents Discuss with their High School Students, August 3, 2004*, <http://www.practicalmoneyskills.com/english/presscenter/releases/080304.php>)
- In 2004, the average score on a measure of financial knowledge was just 52.3% in a nationwide survey of 4,000 high school seniors in 33 states. This was below the 57.3% in 1997 but up from 2000 and 2002. In 2004, 65.5% would have received a failing grade (below 60% correct) and only 6.1% scored a C or better. (www.federalreserve.gov/boarddocs/speeches/2004/20040401/attachment.pdf)

But it is not just young adults who exhibit a lack of financial literacy and ineffective financial behaviors:

- In a 2003 survey, the median reported value of all household retirement savings was only \$40,000, and 25% of those surveyed had no retirement account at all. Yet, oddly, more than one-half of the respondents indicated they are confident they will have saved enough for retirement. This indicates a clear lack of understanding of their retirement needs and financial

literacy in general. (Merrill Lynch, Retirement Preparedness Survey, August 2003, http://www.ml.com/index.asp?id=7695_7696_8149_6261_13715_13739)

- At the end of 2004, Americans carried 657 million bank credit cards, 228 million debit cards, and 550 million retail credit cards in their wallets. At the current rate of growth, the number of payment cards in the U.S. should hit 1.5 trillion by the end of this year. (CardWeb.com, *Cards Galore*, February 25, 2005, <http://www.cardweb.com/cardtrak/news/2005/february/25a.html>)
- Americans shelled out more than \$24 billion in credit card fees last year [2004], an 18% jump over the previous year. (CardWeb.com, *Fee Party*, January 13, 2005, <http://www.cardweb.com/cardtrak/news/2005/january/13a.html>)
- The Administrative Office of the U.S. Courts reported in early 2005 that non-business bankruptcy filings exceeded 1.5 million cases in 2004 for the third straight year. (http://www.uscourts.gov/Press_Releases/fy04bk.pdf)

The woeful state of personal financial literacy and behaviors goes beyond the obvious impacts on families and households. Employers, too, are negatively impacted by poor financial behaviors among their workers.

In a recent summary of literature regarding financial literacy programs in business, E. Thomas Garman (Garman, E. Thomas (1998) *The Business Case for Financial Education*, *Personal Finances and Worker Productivity*, Volume 2, Number 1, June 1998, pp 81-93) provides research evidence that comprehensive financial education in the workplace increases the financial wellness of workers and their job productivity including decreased absenteeism.

Kim, Garman and Sorhaindo (Kim, Jinhee and Garman, E. Thomas (2003) *Financial Stress and Absenteeism: An Empirically Derived Model*, *Financial Counseling and Planning*, Volume 14(10), 2003, pp 31-42) provide evidence that credit counseling and debt management programs reduce financial stress and decrease the frequency of financial stressor events such as home foreclosure, wage garnishment, etc. These programs also positively but indirectly affect personal health variables. Kim and Garman (Kim, Jinhee, Garman, E. Thomas and Sorhaindo, Benoit (2003), Relationships Among Credit Counseling Clients' Financial Well-being, Financial Behaviors, Financial Stressor Events, and Health, *Financial Counseling and Planning*, Volume 14(2), 2003, pp 75-87 and Kim, Jinhee and Garman, E. Thomas (2004) *Financial Stress, Pay Satisfaction and Workplace Performance*, *Financial Education*, Jan/Feb 2004, Sage Publications, pp69-76.) confirm this result and argue that reducing financial stress leads to reduced employee absenteeism and improved organizational commitment.

While these results come from workplace studies, it is logical that similar stressor results would be found among high school students and employees of Fayette County Public Schools. Focusing on comprehensive financial education in early grades and throughout the learning would provide information and skills to increase future worker productivity and improved personal health.

Finally, the need for enhanced financial literacy is even high on the agenda of the Federal Reserve Board as evidenced by testimony of Chairman Alan Greenspan, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 5, 2002.

“Indeed, in many respects, improving basic financial education at the elementary and secondary school level is essential to providing a foundation for financial literacy that can help prevent younger people from making poor financial decisions that can take years to overcome.”

(<http://www.federalreserve.gov/boarddocs/testimony/2002/20020205/default.htm>)

Group Recommendation Number: __1__

Specific Recommendation: Adopt financial literacy standards.

Fayette County School Board should recommend that each Site Based Decision Making Council adopt the appropriate grade level national curriculum benchmarks and standards for personal finance as developed by the Jump\$tart Coalition. These standards are consistent with Kentucky Core Content for Assessment as well as with national educational standards. The Jump\$tart Coalition is . . . a nationally representative effort of the financial service industry, government, and educators to promote financial literacy in the United States. (See Appendix A)

Group Recommendation Number: __2__

Specific Recommendation: Implement financial literacy education in Fayette County Public Schools.

Each Fayette County Public school should identify a team of 2-4 teachers to serve as a school-based implementation committee. The primary responsibility of these teams would be to develop a plan for implementing and monitoring the integration of financial literacy standards into the curriculum of their respective schools for all students and grade levels. Representatives of these groups of teachers will serve as a district-wide steering committee to foster a sharing of curricular ideas, learning resources and ways to break down barriers to successful implementation of a financial literacy curriculum. External community resources such as Commerce Lexington, The Kentucky Jump\$tart Coalition, financial services companies, major employers, and Junior Achievement should be used to support the implementation of the financial literacy curriculum.

Group Recommendation Number: __3__

Specific Recommendation: Support on-going financial literacy staff development opportunities.

The Fayette County Public Schools should plan and conduct on-going financial literacy in-service opportunities for all teachers focused on integrating financial literacy concepts across the curriculum rather than as a stand-alone course or unit. In addition, training of staff members on managing their own personal finances should be offered on a regular basis. The primary responsibility for this recommendation should rest with the Financial Literacy Steering Committee and the External Financial Literacy Advisory Committee.

Fayette County might consider financial education for its teachers and administrators as well as its students. Indeed, financial education for teachers themselves would allow them to focus their attention on the classroom unencumbered by their own financial concerns. Plus, their enhanced knowledge of financial topics will translate into more effective efforts in financial literacy for their students.

Group Recommendation Number: __4__

Specific Recommendation: Develop an assessment plan to measure student outcomes related to financial literacy.

Within four years of the implementation of the Financial Literacy Initiative, the Financial Literacy Steering Committee and the External Financial Literacy Advisory Committee should develop outcome assessment plans and measures related financial literacy achievement of Fayette County school students. Initial assessments can serve as benchmarks to be followed by subsequent assessments to track achievement levels and monitor the effectiveness of financial literacy efforts.

Implementation Steps for Recommendation # 1	Person Responsible for Completing Steps	Possible Resources?	Start Date	End Date
School Board Adoption of Recommendation 1	Fayette County School Board Chairperson	Jump\$tart Coalition financial literacy standards	June, 2006	July, 2006
School Board submits recommendation to each school's SBDM council for approval	Fayette County SBDM coordinator		August, 2006	September, 2006

Implementation Steps for Recommendation # 2	Person Responsible for Completing Steps	Possible Resources?	Start Date	End Date
<p>Each school in Fayette County should identify a team of 2-4 teachers in the school to coordinate, promote, monitor, and identify resources for the integration of financial literacy education into the curriculum for all students at all grade levels. The 2006-2007 school year should be small-scale implementation involving a core group of teachers, with full-scale school-wide implementation beginning with the 2007-2008 school year. Each member of this team of “coaches” should receive an incremental salary stipend of \$4000 per year for this important role.</p>	<p>Principal and Site Based Decision-Making team.</p>	<p>The existing Financial Literacy Work Group can serve as a starting point for developing the Advisory Committee.</p> <p>North Star Solutions as an outsource company for assisting teachers with planning and implementation resources.</p>	<p>Fall, 2006</p>	<p>January, 2007</p>
<p>A district-wide Financial Literacy Steering Committee should be established at the primary, middle and high school levels (or other levels that are instituted in response to the recommendations of the middle-to-high school transition work group). This Steering Committee should be made up of representatives of the individual school teams established under recommendation #2 above. The role of the Financial Literacy Steering Committee would be to foster a sharing of curricular ideas, learning resources and ways to break down barriers to successful implementation of recommendation #1 above. The recommendation of adding a stipend for this committee would help insure its success.</p>	<p>Superintendent</p>	<p>Jump Start Coalition for Kentucky</p> <p>Commerce Lexington, Work Force Development</p> <p>KY Treasurer’s office</p>	<p>January, 2007</p>	<p>May, 2007</p>

Implementation Steps for Recommendation # 2	Person Responsible for Completing Steps	Possible Resources?	Start Date	End Date
<p>An External Financial Literacy Advisory Committee should be established district-wide to support, promote, enhance and identify community resources in support of financial literacy. This committee should consist of major stakeholders including but not limited to representatives of major employers in the community, the financial services industry in Fayette County, the University of Kentucky Cooperative Extension Service and other parties interested in the financial literacy of students. The existing Financial Literacy Work Group can serve as a starting point for developing the Advisory Committee.</p>	<p>Financial Literacy Steering Committee</p>	<p>Jump Start Coalition, Kentucky</p> <p>The existing Financial Literacy Work Group can serve as a starting point for developing the Advisory Committee.</p>	<p>June, 2007</p>	<p>September, 2007</p>

Implementation Steps for Recommendation # 3	Person Responsible for Completing Steps	Possible Resources?	Start Date	End Date
The Financial Literacy Steering Committee should develop a plan for on-going professional development activities for all teachers and staff members involved in implementing the financial literacy standards. This plan should be focused on the implementation of the adopted curriculum, connecting the curriculum to the Kentucky Core Content for Assessment and Program of Studies, and effective strategies for teaching the financial literacy curriculum.	Financial Literacy Steering Committee Chairperson		May, 2007	July, 2007
Based on the above plan, professional development should be provided to all teachers and staff members involved in implementing the financial literacy standards. The first round of training should take place before the start of the 2007-2008 school year.	Financial Literacy Steering Committee Chairperson		July, 2007	On-going
The External Financial Literacy Advisory Committee should collaborate with the Financial Literacy Steering Committee to offer on-going seminars and assistance to Fayette County Public School employees and families on managing their own personal finances.	External Financial Literacy Advisory Committee Chairperson and Financial Literacy Steering Committee Chairperson		October, 2007	On-going

Implementation Steps for Recommendation # 4	Person Responsible for Completing Steps	Possible Resources?	Start Date	End Date
The Financial Literacy Steering Committee and the External Advisory Committee should begin researching and developing measures of assessment to determine the effectiveness of financial literacy programs.	External Financial Literacy Advisory Committee Chairperson and Financial Literacy Steering Committee Chairperson		January 2008	May 2008
The Financial Literacy Steering Committee and the External Advisory Committee should select a small number of schools to pilot the selected assessments.	External Financial Literacy Advisory Committee Chairperson and Financial Literacy Steering Committee Chairperson		August 2009	May 2009
Results of the above pilot study should be used to finalize an assessment plan that tracks both the short-term and long-term effectiveness of financial literacy education and allows for adjustments to improve the quality of the program.	External Financial Literacy Advisory Committee Chairperson and Financial Literacy Steering Committee Chairperson		May 2009	July 2009
All schools implement the assessment plan.	School-based Financial Literacy Coaches		August 2009	May 2010
The Financial Literacy Steering Committee and the External Advisory Committee should review the progress of the financial literacy program and make adjustments based on the results of the assessments. This review should take place annually.	External Financial Literacy Advisory Committee Chairperson and Financial Literacy Steering Committee Chairperson		June 2010	Every June thereafter