2017

# THE IMPACT OF REGIONAL FINANCIAL LITERACY ON THE ECONOMY

The INSTITUTE for Public Policy & Economic Development at Wilkes University

*A partnership among Geisinger Commonwealth School of Medicine, Keystone College, King's College, Lackawanna College, Luzerne County Community College, Marywood University, Misericordia University, Penn State Wilkes-Barre, The Wright Center, University of Scranton, and Wilkes University*

# The Institute

**Turning Information into Insight**

The Institute is a non-profit research organization dedicated to empowering business and community leaders with researched based strategies for informed decision making.

We conduct independent, empirical research to identify the opportunities, issues and challenges unique to the region and find innovative ways to solve the problems facing our communities.

The Institute offers a wide array of research, consulting and support services to help organizations boost productivity, increase profitability and be successful in their missions.

---

## Thank you to Our Academic Partners

Unique to The Institute is our collaboration with 11 local institutes of higher learning. To date, we have hosted over 230 student interns in our program.

Geisinger Commonwealth
School of Medicine
Keystone College
King's College
Lackawanna College
Luzerne County Community College
Marywood University
Misericordia University
Penn State Wilkes-Barre
The Wright Center
University of Scranton
Wilkes University

## Thank you to our Research Sponsors!

Thank you to our generous stakeholders who share our desire to foster a strong regional economy and the economic and social welfare, health and safety of residents of Northeastern Pennsylvania.

### Signature Underwriters

Andrew J. Sordoni Foundation
Luzerne County
Moses Taylor Foundation
PPL Electric Utilities
Sordoni Family Foundation

### Contributing Underwriters

BlackOut Design
Borton-Lawson
Commonwealth Health Systems
Geisinger Health System
Luzerne County Housing Partnership
Mohegan Sun Pocono

### Supporting Underwriters

Berkshire Asset Management
Highmark Blue Cross Blue Shield
OneSource Staffing
Prudential Retirement Services
Sanofi Pasteur
Wells Fargo Foundation

### Public Media Partner

WVIA Public Media

**The Institute's Jobs, Economy, and Economic Development Task Force Members**

Robert Luciani, Vice President Prudential Retirement Services, - Chair
John P. Blake, PA State Senator
Joe Boylan, Greater Wilkes-Barre Chamber of Business & Industry
Fran Calpin, Senior Director Keystone College
John Cognetti, President & Broker of Record, Hinerfeld Commercial Realt Estate
Julie Schumacher Cohen, Director of Community Relations, University of Scranton
Tom Curra, President, WVIA Public Media
Frank Joanlanne, Borton Lawson
Venard "Scott" Koerwer, Ed.D., Vice President of Strategic Initiatives and Planning, The Commonwealth Medical College
Rodney Ridley, Director Allan P. Kirby Center for Free Enterprise, Wilkes University
Lucyann Vierling, Wayne Pike Workforce Alliance

**Study prepared by: The Institute for Public Policy & Economic Development**
Executive Director – Teri Ooms
Senior Research Analyst – Andrew Chew
Director Marketing and Community Outreach, Susan Magnotta
Research Assistant – Erin McCormick

# Table of Contents

## Introduction

The economic health of a region starts with the financial health of the family unit. A financially capable household contributes to a financially sound community and an equally secure region. However, the study initiated last year by The Institute for Public Policy and Economic Development as part of its Jobs, Economy, and Economic Development task force found that the Northeastern Pennsylvania region may be lacking in the area of financial literacy. Additionally, the same report detailed the adverse effects that can occur when a population lacks full understanding of how to handle their personal finances — issues such as higher risk of bankruptcy or foreclosures are common; more volatile retirement or college funds, if any; and little or no savings or emergency funds exist. A study by Champlain College agrees. In their 2015 "National Report Card," they awarded the Commonwealth of Pennsylvania overall an "F" for their lack of promotion of financial literacy in education.[1]

Financial literacy leads to financial capability. A lower level of financial literacy individuals leads to households making poor financial decisions; this pattern over time works up to an increase in impoverished communities and puts entire geographical regions under economic strain. To establish a region that is stronger economically, financial health needs learning needs to begin at an early and progress consistently over time. This can be established through various financial education, counseling, and literacy programs.

The Great Recession of the last decade highlighted just how financially vulnerable many Americans are, and how few assets they had to fall back on in case of emergency. To be considered "financially capable," a household should have the knowledge and decision-making skills to be able to make ends meet, plan ahead, and know how to choose and manage financial services and products. Households should have enough income to meet their basic consumption needs and pay off appropriate debts with enough left over to save for future expenses. This way, according to Andrea Levere and Leigh Tivol in their essay "How the Road to Financial Security is Paved with Financial Capability," an individual or a household will be able to feel in control of their daily finances, have the capacity to handle any unexpected financial shock they encounter, and be able to meet goals and still have enough financial freedom to enjoy life.[2] Given the region's poverty level and lower wages, becoming financially capable even with an understanding of financial literacy, is a challenge.

## 2016 Report on Financial Literacy

The 2016 report from the Jobs, Economy, and Economic Development task force focused on the level of financial literacy among high school students, college students, and community members in Northeastern Pennsylvania. According to the report, financial literacy is "a person's ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt and pensions".[3]

The Pennsylvania Department of Education includes personal finance and economic concepts into K-12 education standards, though does not require a class explicitly focused on personal finance in order to graduate from high school. However, 26 other states have no K-12 financial literacy requirements at all. Only five states have mandated financial literacy classes as graduation requirements. Retirement difficulties, bankruptcy, and foreclosure are just three of the things associated with low financial literacy levels.

The survey conducted by The Institute was given to members of three demographic groups: area high school students, college students, and employed members of the community. Part of the survey included three standardized multiple-choice questions, each with a correct answer, one or two wrong answers, and a "do not know" option. Community members were most likely to answer the questions correctly, followed by college students. High school students were among those least likely to choose the correct answer to the questions. Though results varied, a significant number of respondents in all three groups (especially college and high school students) chose the incorrect response or replied that they didn't know to at least one of the three questions.

A 2012 Pennsylvania Task Force on Economic Education and Personal Financial Literacy Education conducted their own study and found that there was increasing support for establishing financial education programs or classes in public schools.[4] This could be in response to the subprime mortgage crisis: the insufficient level of personal finance understanding related to first-time home buyers, those repaying loans, and just anyone handling personal finances could have been a major contributing factor to the Great Recession.

The three questions to gauge financial understanding were similar to questions given on other financial literacy surveys around the country and around the world. Comparison of results found that Northeastern Pennsylvania regional results were not drastically different from other localities; throughout the United States and the world, financial literacy among the population as a whole is lacking. In similar surveys conducted in the U.S., those among those scoring the lowest were the youngest and oldest participants, as well as those without a college degree. Additionally, women, African-Americans, and Hispanics were the demographic groups who scored lowest.

Respondents were also questioned as to whether or not they would be interested in receiving more education or general information pertaining to financial matters. Those who hadn't already received some form of formal financial education responded in the affirmative. Among high school students, the largest number wanted to receive financial education in the form of college classes (40 percent). College students and community members most wanted some form of individual financial counseling to learn more about their own financial health.

The concluding recommendations of the Institute's report suggested establishing financial education classes and programs in local public high schools, increased use and participation of Junior Achievement, increasing programs available to the community at large (such as through local public libraries), and urging workplaces to offer financial literacy programs to their employees. The report mentions that states and localities in the past have taken similar actions and have experienced regional and statewide growth as a result.

## National Financial Capability

A study by the RAND Corporation found that, by state, there exists a strong negative correlation between financial literacy and the number of people living in poverty.[5] In other words, citizens in states that have a lower average financial literacy rate compared to other states are more likely to live in poverty. However, according to a 2014 report by the National Foundation for Credit Counseling (NFCC), only 40 percent of American adults keep a budget and track their spending. Almost one-third do not save any of their income towards retirement. Respondents to the survey cited their biggest financial concerns as not having enough money saved for an emergency or for retirement[6].

Similarly, the Federal Reserve's 2013 Survey of Consumer Finances found that most American families have a lower net worth than they likely should; many lost home equity funds in the Great Recession, and households tend to not appropriately diversify their holdings.[7]

Financial health is commonly tied to the availability of opportunities – often outside an individual's control. While financial literacy is low across the nation as a whole, certain demographic groups tend to have lower levels of financial literacy - namely, African-Americans, Hispanics, those without a college degree, immigrants, women, and those from low-income backgrounds.[8] Almost two-thirds of black children live in communities classified as "high-poverty," whereas only six percent of white children do the same.[9] On average, African-American, Hispanic, and Asian households lost more than half their wealth during the Great Recession, as compared to an average 16 percent loss for white households. This can be at least partially attributed to the large gap in the amount and variety of assets held by minority and white households.[10] Economic demographics influence financial understanding and capability as well. Low-income individuals and households often lack the resources and education to manage their finances properly, frequently relying on low-wage, unstable, or seasonal work. One's parents' economic status may be an influencer as well: a Pew Charitable Trusts survey found that one-third of American children born in the late 1970's into a middle-class family fell out of the middle class in adulthood (rates were higher among minorities, as well).[11]

All these factors are playing into an increasingly volatile national financial arena – it is harder today to remain financially sound than it was fifty years ago. The rate of return for those paying into Social Security is becoming lower and lower. Cost of living measures across the country are rising rapidly. Predacious lenders, declining assets, housing crisis recovery and the new sharing economy are leading to a progressively uncertain economy for many. Moreover, there has been a heavy national shift in the last generation towards individual responsibility for financial well-being – leading those with insufficient understanding about financial matters at a disadvantage.[12] A lack of financial literacy may have been the cause for many who refinanced their mortgages and defaulted on subprime mortgages in the last decade, leading to the housing bubble and subsequent financial crisis.[13]

In his essay "Financial Vulnerability is a Problem," Jared Bernstein describes what he calls the "Economic Shampoo Cycle." When the economy enters a recession, the rich often accumulate more wealth. This leads to an eventual growth of the financial sector, later leading to a bubble that inevitably "busts", leading to another recession. During these steps, the middle class borrows money, further leading to growth of the financial sector. However, the debt-to-income ratio for the middle class grows. This, helped along by lack of regulation, also contributes to the bubble-bust-recession. The bubble also grows quicker when there isn't "sufficient market oversight and adequate advice or guidance for 'low-information' households using credit."[14] If low-information households don't realize the risks they are taking borrowing funds and upping their debt-to-income ratio, then they are more likely to borrow more than would be economically safe for them. Hypothetical situations such as these prove the extent to which individual and household financial literacy can influence the regional, state, and national economy. On the reverse side, Bernstein says, a low-information and low-income family may, due to the lack of opportunity for upward economic mobility, feel held back by their situation and under-consume, underinvest, and under-educate themselves.

## Youth Financial Literacy

While financial capability is a skill desirable generally among older or adult populations, fostering financial education at a younger age can be just as beneficial as teaching adults. Studies have shown that young adults who are more financially literate are less likely to exhibit high-risk financial behaviors.[15] Much has been made concerning the lack of personal finance education in American public high schools. The National Endowment for Financial Education found that college students originally from states where financial education was required in high school made better financial decisions. They had the highest reported financial knowledge and were more likely to save, pay off credit card debt in full each month, and take average financial risk. They were also less likely to be compulsive buyers, max out credit cards, or make late credit card payments.[16]

Currently there are only 17 states in America that require a class involving some element of personal finance in order to graduate high school (such as economics). Only five states – Alabama, Missouri, Tennessee, Utah, and Virginia – require a class focused on personal finance in order to graduate high school.[17]

There are other options, however, for teaching financial literacy outside of formal academic classroom instruction. Nationwide, banks and credit unions often provide services to reach youth (as well as adults) to foster financial literacy and economic awareness. One form that these services often take is through online portals. Two examples include, *Hands on Banking* from Wells Fargo, and *Money Smart* from the Federal Deposit Insurance Corporation are all internet-based computer programs designed to teach participants about principles and skills associated with financial literacy. Offering these kinds of programs can help banks meet their Community Reinvestment Act requirements, in addition to contributing to the general financial health of their community or region.[18] Many times, the online portals offered by the banks provide curriculum materials for teachers wishing to integrate financial education into their classroom. Others also include games that make learning the concept of financial literacy more enjoyable and less based in strict instruction.

Another option for youth-directed programs involving local banks and businesses are so-called "Reality Fairs." These are one-time activities where students can experience a simulation of real-life financial choices. They enter and choose a desired career path, then receive an annual starting "salary" for that career. Then, students complete a basic budget sheet using their incomes, learning how to properly balance their incomes with their expenses. Throughout the Reality Fair, students are presented with a number of temptations in order for teach how to weigh needs versus wants. At the conclusion of their time at the fair, students sit down with professional financial counselors to discuss their budget and how they fared at using their income.

Pennsylvania State Representative Rosemary Brown of the 189th District introduced a bill in February to make financial literacy classes a graduation requirement for the state of Pennsylvania. As of April 2016, the bill (House Bill 1958) was referred to the Education committee of the House.[19].Brown has helped host Reality Fairs at East Stroudsburg High School in partnership with the local credit union and a student credit union[20].

## Adult Financial Literacy

Learning financial literacy skills as an adolescent can help foster a healthy relationship with money later in life. But there are still many adults lacking the kind of skills and knowledge needed to remain active and thrive in the economy.

One option for helping adults achieve financial security is financial coaching. This is usually done one-on-one with a financial advisor, and it allows a client to have their finances both reviewed and analyzed for what steps to take to achieve their own goals. A 2014 study by Fernandes, Lynch, and Netemeyer found that few formal financial education programs have a tangible impact on behavior in the long-run. This, they say, can be attributed to the fact that financial decisions are a result of learned behaviors derived from routine, the people in your environment, and financial access, to name a few. This report emphasized the use of financial coaches and advisors, due to the availability to utilize their services over a longer period of time (as opposed to a seminar or workshop that may last a day or a week). These counselors and advisors can help change negative financial behaviors or habits over time.[21]

Further research has shown that clients who utilize financial coaching services are more likely to take advantage of them when they are integrated and co-located with their employer.[22] Regis Mulot in his essay "Thinking Outside the 401(k): Employer-Sponsored Financial Health

Solutions" cited the example of Staples, Inc. Staples wanted to attract their associates – many of whom were below the age of 35 – to participate in the various workplace savings and benefits programs that they offered. The company sought out a platform that was fun, easy-to-use, engaging, and informative enough to show employees the benefits of using the programs that Staples offered. They used a company customization of the game *Bite Club*, available (along with other financial-based games) on financialentertainment.org. Using it to teach about financial principles and the advantage of using company benefits, Staples scheduled the game to coincide with their 401(k) open enrollment period, and their efforts helped expand the number of younger employees who used Staples retirement coverage.[23]

In addition to workplaces offering financial education opportunities, there are a number of ways in which financial education can be applied in the public sphere. One option popular around the country is the hosting of financial education programs through public libraries. The New York Public Library, for example, both holds programs in their buildings and has financial education offerings online. Programs include "Mutual Funds and ETFs," "Life Skills: Budgeting, Credit, and Debt," and "Are You Ready to Retire?" They also provide free professional tax assistance at libraries and host a "Financial Planning Day" with free financial, credit crisis, and Medicare counseling. Their website keeps an updated bibliography of free online financial resources as well.[24]

Other community players who could take part in helping citizens become more financially capable include community development credit unions (CDCU) and other types of community development financial institutions (CDFI). While banks and credit unions can be helpful in collaboration for financial literacy programs and with offering financial counseling services, community development credit unions act as non-profits that serve low- and moderate-income communities specifically to foster community economic development. They can act as "community quarterbacks" – as they're referred to by Paul Weech in his essay "Starting at Home: Housing-Based Approaches to Financial Stability" – can act as a community leader to try and centralize economic development.[25] A CDCU can help with community economic development and personal finance funding, as well as establishing partnerships with other organizations and businesses. Jane Kolodinsky in a 2004 study found that participants in a community development credit union were more likely to be civically and socially engaged.[26] If low-income individuals and households are given the opportunity to utilize resources for managing their own financial situations, they will have the change to realize financial capability in a way that enriches their communities at large.

## Effects of Low Financial Literacy

As cited in last year's report, the effects of a low financial literacy on a regional population can have dire consequences. These include issues with retirement savings and foreclosure.

According to a Teachers' Insurance and Annuity Association of America (TIAA) study, those who have higher levels of financial literacy tend to plan appropriately for retirement and end up having about double the overall wealth as those with poor financial literacy.[27] Lower financial literacy also leads to consumers who borrow more and as a result, must pay higher interest fees.[28] Additionally, in the long process of buying a home, a lack of financial knowledge can lead to severe problems. Due to the nature of applying for a mortgage, understanding affordability ranges, and other such steps involved in the home-buying process, knowing how to plan financially is essential. Without this knowledge, consumers may end up spending too much, saving too little or reacting to change in income or consumption – these kinds of changes could lead to potential foreclosure.[29]

A lack of financial literacy may contribute to lower incomes and, consequentially, higher levels of poverty in a region. In Lackawanna County, there are 205,256 individuals for whom income and poverty status has been determined. There are 9,239 youth under the age of 18, 17,902 citizens who are between the ages of 18 and 64, and 3,306 over the age of 65 who are classified as living in poverty in Lackawanna County. Almost 65 percent of impoverished citizens over the age of 25 have a high school education or less, while only about five percent have a bachelor's degree or higher. Numbers are similar in Luzerne County, where there are 320,918 individuals for whom income and poverty status has been determined. Of those who are living in poverty, 16,928 are under the age of 18, another 26,708 are between the ages of 18 and 64, and 5,186 are over the age of 65. Of those living beneath the poverty threshold, 68 percent have a high school education or less, while four percent have a bachelor's degree or higher.

## Regional Financial Profile

Both Lackawanna and Luzerne Counties have larger shares of their populations utilizing food assistance programs than the population of Pennsylvania as a whole. Between 2009 and 2014, the percentage of the local population utilizing food stamps followed a generally upward sloping trend. The use of cash assistance programs, however, decreased somewhat between 2009 and 2014. In 2014 – the most current food and cash assistance data year – rates of cash assistance usage were lower in Lackawanna and Luzerne Counties than in Pennsylvania as a whole.

**Lackawanna & Luzerne Counties: Food and Cash Assistance Rate of Use**

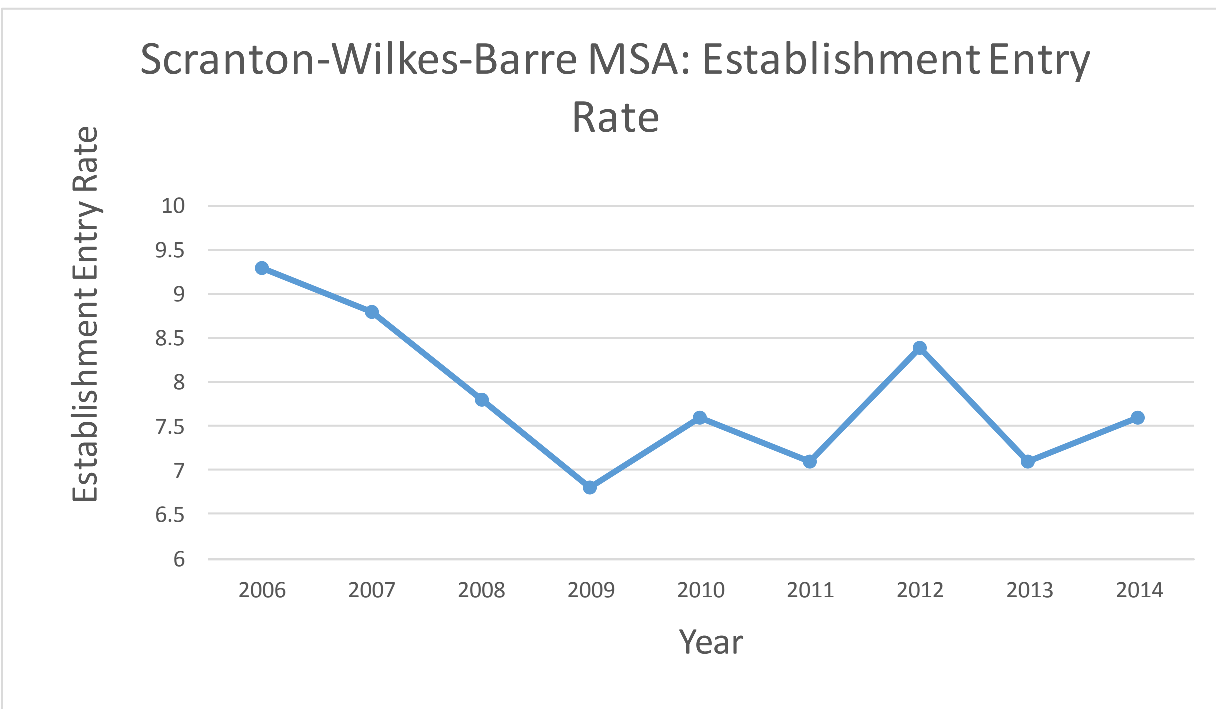
| Year | Lackawanna | | Luzerne | | Pennsylvania | |
|---|---|---|---|---|---|---|
| | *Food (%)* | *Cash (%)* | *Food (%)* | *Cash (%)* | *Food (%)* | *Cash (%)* |
| 2009 | 12.0 | 4.7 | 11.7 | 3.5 | 9.7 | 5.7 |
| 2010 | 12.0 | 3.0 | 13.8 | 3.0 | 11.4 | 3.7 |
| 2011 | 13.3 | 2.9 | 15.8 | 3.6 | 12.7 | 3.7 |
| 2012 | 14.0 | 2.9 | 17.0 | 3.8 | 13.0 | 3.7 |
| 2013 | 13.8 | 3.7 | 16.5 | 3.2 | 12.5 | 3.3 |
| 2014 | 16.2 | 3.2 | 17.2 | 3.1 | 13.0 | 3.4 |

*Data taken from U.S. Census Bureau ACS 1-year Estimates via 2016 Indicators Report*

The number of bankruptcies filed in the region is experienced a decrease recently. Between 2015 and 2016, the number of bankruptcies filed at the Middle District of Pennsylvania office in Wilkes-Barre decreased by seven percent to 2,389.[30]

As of January 2017, Lackawanna County has a foreclosure rate of 1 out of 1137, and Luzerne County has a rate of 1 out of 1046. The foreclosure rate measures the number of foreclosure actions to housing units. Both counties have a higher rate than the state of Pennsylvania (1 out of 1418) and the United States as a whole (1 out of 1594)[31]. Additionally, the nominal amount of foreclosures in the area seems to be decreasing. In 2015, Lackawanna County had 541 foreclosures. While this is four more than the 537 foreclosures in 2014, it is a decline from the 607 in 2013 and 552 in 2012. For Luzerne County, the 693 foreclosures in 2015 was a sharp decrease from the 890 in 2014, 1058 in 2013, and 1067 in 2012[32].

The Scranton/Wilkes-Barre Metropolitan Statistical Area (MSA), comprising of Lackawanna, Luzerne, and Wyoming Counties, has seen a slow post-recession recovery in the entry rate of new businesses and establishments. According to Census data, the 2014 entry rate in the MSA was 7.6 percent – an increase for 7.1 percent in 2013. However, it has yet to near the 2006 rate of 9.3 percent. The change in the rate can be seen in the graph below[33]:



## Case Studies

### Opportunities Credit Union

In her paper "Financial Education and Economic Development" (prepared for the 2006 Improving Financial Literacy International Conference in Moscow, Russia), Jeanne M. Hogarth cites the case of a Vermont credit union and the role it played in community revitalization throughout the state.

Opportunities Credit Union (OCU) serves 13,000 Vermont citizens in 210 towns. They offer counseling-based lending and financial services to low-income and underserved communities to promote sustainable economic development. According to Hogarth, the OCU has helped low-income Vermonters start (and grow) their own small businesses, as well as buy homes and vehicles. Pew Partnership for Civic Change honored OCU in 2002 as an exemplary model of "Solutions for America."[34]

OCU sees two of its characteristics as being key to its successful results. Firstly, when citizens approach OCU they are in a "teachable frame of mind" because they are generally focused on some goal (such as home ownership). Second, the services and tools that OCU utilizes to help its clients are based on the concept of "learning by doing." In other words, financial skills are learned as the clients employ OCU's no-fee savings accounts, sub-accounts for certain goals, and tracker loans to improve credit. It was members of the OCU who were studied by Jane Kolodinsky when she concluded that membership in a community development credit union led to higher rates of civic and social participation.[35]

### Self-Employment Investment Demonstration and the American Dream Demonstration

In their essay, "How the Road to Financial Security is Paved with Financial Capability", Andrea Levere and Leigh Tivol describe the successes, observed over a five-year period, of the Self-Employment Investment Demonstration, or SEID.

Out of the 1,316 welfare participants studied (all female), 408 of them started their own small business within five years (about 31 percent, similar to the percent of business owners in the United States as a whole). Almost 80 percent of those businesses were still in operation 2.6 years after launching. Use of cash assistance declined 65 percent among business owners, and use of food stamps decreased by 62 percent. As Levere and Tivol stated, this goes to prove that "low-income people have more capacity than opportunity."[36]

The American Dream Demonstration (ADD) was a similar program that ran in the late 1990s and early 2000s to evaluate the effectiveness of Individual Development Accounts (IDAs). IDAs are similar to any other savings accounts but with additional funds added from government or charitable sources. In the ADD review of these IDAs, researchers found that the poorest 20 percent of IDA holders (incomes less than half of the poverty line) saved at a rate three times more than that of the accountholders with the highest incomes.[37] The report on the program proxy also found that each hour of financial education – up to ten hours – increased average annual net savings by $139 a year.[38]

## Bank on Philadelphia Youth Program

Bank on Philadelphia is a program promoting youth financial literacy in students throughout the city of Philadelphia. Introduced by the Office of the City Controller, it partners the municipal government with local community partners, such as banks, credit unions, and foundations. The initiative was started to try and improve financial literacy rates among the youth of Philadelphia, especially the 37 percent of residents under the age of 18 who live in poverty.[39] The program aims to teach Philadelphia's students important financial skills – how to balance a checkbook, how to manage a budget, how to establish credit – in order to help them become more financially capable adults in the future. The Bank on Philadelphia program offers an online resource center for students, parents, and teachers as well as services in the classroom and during after-school hours.  A sampling of the Bank On Philadelphia community partners are listed below:

- <u>GET Financial Education Center</u>: a non-profit dedicate to financial literacy among youth and adults; offers a "Financial Literacy for Youth" program as well as adult educational programs

- <u>Philadelphia Federal Credit Union</u>: offers financial seminars to schools in Philadelphia; created the "Moola Moola Kids Club" as an opportunity for children twelve and under to start their own savings account; also created the CU Succeed program to allow teenagers to learn how to handle money and establish credit

- <u>One Less Foundation</u>: non-profit aiming to help individuals and households who are living in poverty receive financial education and achieve their financial goals; offers classes for adults and youth through their "Financial Literacy and Capability" program to teach budgeting and saving and help establish financial confidence

- <u>Wells Fargo</u>: partners with non-profits, schools, and religious organizations to provide financial youth education; initiated a "Train the Trainer" course to give teachers a solid grounding in financial education and a "Hands On Banking" program

## Junior Achievement

Junior Achievement (JA) is a national program that seeks to serve students from Kindergarten to 12th grade in the three pillars of entrepreneurship, financial literacy, and work readiness. It depends on donations and volunteers, and schools can opt in to JA's programming.[40]

The Junior Achievement has set into place a number of programs to help its resident students retain a level of financial understanding that will allow them to be successful as adults.

Elementary school programs can start as early as Kindergarten, teaching basic concepts such as needs versus wants, earning money, and saving money. Programming is grade level-appropriate and focuses on a different grouping each year (self, family, community, city, region, and nation). JA's programs for middle schoolers further their understanding of financial literacy, as well as entrepreneurship and basic economic concepts. They have the opportunity to explore aspects of financial wellness such as credit scores, insurance, and career choice. In JA's high school financial literacy programs, students continue to be develop their knowledge and skills regarding budgeting, saving, credit, and consumer choices.

Two special features of Junior Achievement are the "BizTown" and the "Finance Park." BizTown, designed for students who are at a fifth grade level, is a simulated 10,000 square foot city where students can apply the financial knowledge they have gathered in the classroom over the years. They have the opportunity to work for or run their own "businesses," earn wages, open bank accounts, buy goods, pay taxes, vote, and more. This allows them to gain hands-on experience with the ins and outs of civic life and basic money management. For older students, the JA Finance Park was created in conjunction with a local credit union to allow participants to gain experience with four broad financial concepts: income; saving, investing, and risk management; debit and credit; and budgeting. This center is equipped with high-tech tools that allow students to simulate a life with a certain income, family structure, credit score, and other criteria that students are given at the start. After students complete their day of making personal financial choices, they are given the opportunity to reflect on their choices and the outcomes that they bought.

## Recommendations

Per the surveys that were distributed by the Jobs, Education, and Economic Development task force as part of last year's report, people in general wish to have access to more economic and financial educational resources. High school students – 40 percent of those surveyed – most wish to receive this kind of education through college classes, while college students and community members want financial counseling on an individual basis. Financial literacy training needs to begin prior to high school and curricula in high school should provide practical examples of future careers and managing the costs of post secondary education. As prior research by Fernandes, Lynch, and Netemeyer has shown, adult financial literacy programs tend to be less effective.[41] Therefore, youth financial literacy education must be a priority, with a focus on starting this process early in a student's education.

Implementation of financial literacy into public school district curriculum should be a goal at every grade level – namely, adding a financial literacy class for 11th or 12th graders as a graduation requirement. Legislation regarding financial literacy as a state curriculum requirement (such as PA House Bill 1958) is one means of achieving this outcome.

Area colleges can also explore ways to work more financial education into their core curriculums – either through adding compulsory or elective courses, or through integrating financial literacy concepts into their students' required first-year seminars. Public entities that have the ability to reach the community at large (such as libraries, community centers, or public high schools), perhaps in conjunction with banks or credit unions, can host financial literacy nights with volunteer financial advisors. This would allow for the kind of individualized counseling that will help community members to understand their own unique financial situation better. Additionally, businesses employing a significant number of people should be encouraged to offer financial literacy programs to their employees.

Studies have found that the demographic groups most likely to experience lower levels of financial literacy include African-Americans, Hispanics, adults without a college degree, women, immigrants, and those from a low-income background. Financial literacy efforts (such as the aforementioned financial literacy nights with volunteer financial advisors) could be hosted at community centers in neighborhoods with higher rates of African-Americans, Hispanics, or immigrants. Neighborhoods and towns with lower median incomes and lower rates of adults with college degrees should also be targeted, as well. For adults, especially those living in poverty and taking advantage of support and assistance programs, there can be financial literacy training component to assist those adults.

The Junior Achievement of Northeastern Pennsylvania (JANEPA) serves as an excellent resource for financial and economic education throughout early, middle, and secondary levels. The JANEPA has a “BizTown” location in Pittston Township, provides practical application to financial literacy concepts. However, for more long-term and extended learning, JANEPA has a variety of in-classroom programs as well that can be structured into curriculums. Among the youngest of students (Kindergarten to 4th grade), financial education that is less instructional and more game-based will be more effective and popular amongst children.

However, there are many adults that still need financial literacy. While programs or independent study may not be as effective for most adults, coaching is a concept that could be explored. Financial literacy coaching could become a component of social services and assistance programs - both public and private. For example, for a person to qualify or continue to receive services, they must undergo so many hours of coaching. The concept of coaching is becoming a more mainstream strategy to address health and wellness and outcomes are quite positive. Applying the same process to financial literacy education is being piloted in several programs across the country.

These recommendations come with the hope and expectation that improved financial literacy among children and adults will translate to decreased dependence on assistance programs and a stronger regional economy.

## Endnotes


[1] Champlain College Center for Financial Literacy. (2015). Is your state making the grade? 2015 national report card from Champlain College's Center for Financial Literacy. Retrieved from http://www.champlain.edu/centers-of-excellence/center-for-financial-literacy/report-making-the-grade.

[2] Levere, A. and Tivol, L. (2015).How the road to financial security is paved with financial capability. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it's Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 13-32). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[3] Lusardi, A. and Mitchell, O. (2014). The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature, 52(1), pp. 5-44.

[4] Pennsylvania Department of Education and Pennsylvania Department of Banking and Securities. (2013). Economic and personal finance education in Pennsylvania. Retrieved from http://www.dobs.pa.gov/Documents/Publications/Reports/Financial%20Education%20Report.pdf.

[5] Bumcrot, C.B., Lin, J., and Lusardi, A. (2013). The geography of financial literacy. Retrieved from http://www.rand.org/pubs/working_papers/WR893.html.

[6] The National Foundation for Credit Counseling. (2014). The 2014 consumer financial literacy survey. Retrieved from https://www.nfcc.org/NewsRoom/FinancialLiteracy/files2013/NFCC_2014FinancialLiteracySurvey_datasheet_and_key_findings_031314%20FINAL.pdf.

[7] Yellen, J. (2015). Foreword. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it's Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 5-6). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[8] Blackwell, A. G. (2015). Race, place, and financial security: Building equitable communities of opportunity. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it's Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 105-112). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[9] Ibid.

[10] Ibid.

[11] Longman, P. (2015). Wealth and generations. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it's Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 235-249). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[12] Bumcrot, C.B., Lin, J., and Lusardi, A. (2013). The geography of financial literacy. Retrieved from http://www.rand.org/pubs/working_papers/WR893.html.

[13] Lusardi, A. and Mitchell, O. (2014). The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature, 52(1), pp. 5-44.

[14] Bernstein, J. (2015). Financial vulnerability is a problem: An economist's view. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it's Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 72-84). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[15] Council for Economic Education. (2016). Making the case for the need for economic and financial literacy education in the classroom. Retrieved from http://councilforeconed.org/wp/wp-content/uploads/2016/03/2016.03_Research-Page_pdf-attachment.pdf.

[16] Gutter, M.S., Copur, Z., and Garrison, S. (2010). Financial management practices of college students from states with varying financial education mandates. Retrieved from http://www.nefe.org/Portals/0/WhatWeProvide/PrimaryResearch/PDF/Gutter_FinCapofCollegeStudents_ExecSumm.pdf.

[17] Champlain College Center for Financial Literacy. (2015). Is your state making the grade? 2015 national report card from Champlain College's Center for Financial Literacy. Retrieved from http://www.champlain.edu/centers-of-excellence/center-for-financial-literacy/report-making-the-grade.

[18] Comptroller of the Currency, US Department of the Treasury. (2012). Community developments fact sheet: Financial literacy. Retrieved from https://www.occ.gov/topics/community-affairs/publications/fact-sheets/fact-sheet-financial-literacy.pdf.

[19] House Bill 1958, H.B. 1958, 2015.

[20] (2016, 12 April). “Students participate in financial literacy reality fair”. *Pocono Record.* Retrieved from http://www.poconorecord.com/article/20160412/OBITUARIES/160419853.

[21] Fernandes, D., Lynch, J.G., and Netemeyer, R.G. (2014). Financial literacy, financial education, and downstream financial behaviors. Management Science 60(8): 1861-1883. Retrieved from: http://pubsonline.informs.org/doi/pdf/10.1287/mnsc.2013.1849.

[22] Rubinger, M. (2015). Making work pay: Building financial health improves employment outcomes. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it’s Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 134-141). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[23] Mulot, R.(2015). Thinking outside the 401(k): Employer-sponsored financial health solutions. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it’s Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 143-147). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[24] New York Public Library. (2017), Money matters at financial literacy central. Retrieved from https://www.nypl.org/help/getting-oriented/money-matters-flc.

[25] Weech, P. (2015). Starting at home: Housing-based approaches to financial stability. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it’s Worth: Strengthening the Financial Future of Families, Communities and the Nation* (pp. 127-132). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.

[26] Kolodinsky, J., Stewart, C., and Bullard, A. (2004). Vermont Development Credit Union: Building healthy financial lives – and more. Paper presented at the NEFE Think Tank on Motivating Americans to Develop Constructive Financial Behaviors, Denver CO.

[27] Lusardi, A. and Mitchell, O. (2009). Financial literacy: Evidence and implications for financial education. TIAA Institute. Retrieved from: https://www.tiaainstitute.org/public/pdf/institute/research/trends_issues/ti_financialliteracy0509a.pdf.

[28] McGrath, M. (2015, Nov 18). “A global financial literacy test finds that just 57% of adults in U.S. are financially literate”. *Forbes.* Retrieved from http://www.forbes.com/sites/maggiemcgrath/2015/11/18/in-a-global-test-of-financial-literacy-the-u-s/#4b5e067e6a16.

[29] Gerardi, K., Goette, L., and Meier, S. (2010). Financial literacy and subprime mortgage delinquency: Evidence from a survey matched to administrative data. Retrieved from https://www.frbatlanta.org/-/media/Documents/research/publications/wp/2010/wp1010.pdf.

[30] O’Connell, J. (2016, Feb 7). “Regional bankruptcy filings continue downward trend”. *The Scranton Times-Tribune*. Retrieved from http://thetimes-tribune.com/news/business/regional-bankruptcy-filings-continue-downward-trend-1.2004174.

[31] “U.S. real estate trends and market info: Foreclosure trends.” RealtyTrac. Retrieved from http://www.realtytrac.com/statsandtrends/foreclosuretrends/.

[32] The Unified Judicial System of Pennsylvania, Civil Cases. Retrieved from http://www.pacourts.us/news-and-statistics/research-and-statistics/statewide-civil-cases.

[33] U.S. Census Bureau. “Establishment characteristics data table.” Retrieved from http://www.census.gov/ces/dataproducts/bds/data_estab.html.

[34] Hogarth, J.M. (2006). Financial education and economic development. Paper presented at the Improving Financial Literacy International Conference hosted by the Russian G8 Presidency and the OECD. Retrieved from http://www.oecd.org/daf/fin/financial-education/37742200.pdf.

[35] Kolodinsky, J., Stewart, C., and Bullard, A. (2004). Vermont Development Credit Union: Building healthy financial lives – and more. Paper presented at the NEFE Think Tank on Motivating Americans to Develop Constructive Financial Behaviors, Denver CO.

[36] [36] Levere, A. and Tivol, L. (2015).How the road to financial security is paved with financial capability. In Federal Reserve Bank of San Francisco and Corporation for Enterprise Development (Eds.), *What it's Worth: Strengthening the Financial Future of Families, Communities and the Nation* (p. 18). San Francisco, CA and Washington, D.C.: Federal Reserve Bank of San Francisco and Corporation for Enterprise Development.
[37] Ibid, pp. 13-32.
[38] Ibid.
[39] Office of the Controller, City of Philadelphia. "Bank on Philadelphia". Retrieved from http://www.philadelphiacontroller.org/bop/about.html.
[40] Junior Achievement. "Junior Achievement of San Diego County". Retrieved from https://www.jasandiego.org/.
[41] Fernandes, D., Lynch, J.G., and Netemeyer, R.G. (2014). Financial literacy, financial education, and downstream financial behaviors. Management Science 60(8): 1861-1883. Retrieved from: http://pubsonline.informs.org/doi/pdf/10.1287/mnsc.2013.1849.