**Ladder Out of Poverty Task Force**

***Advisory Work Group:***

***Financial Literacy and Education***

***Meeting 10/22/10***

**A. Group Name:** Financial Literacy Education

**B. Members in Attendance:**

Rep. Ron Shimanski

Kevin Murphy

Meaghan Mohr Gesino

Trish Olson

Mary Jo Katras

Andrea Ferstan

Darlene Silva

Kim Shaff

Sandy Neren

Therese Kuvaas

Daniel DuHamel

Ron Elwood

Richard Todd

Kate Ouverson

Mara Humphrey

Beth Aune

Jennifer Cherry

Karyn Thompson

Amy Walstien

Jane Stockman

John Comer

Janet Dieterich

Jim DeMay

Jenny Schwope

Pam Johnson

Susie Schatz

Meredith Pain

**C. Scope: How would you summarize the focus area of your group?**

The focus area for this group is financial education/literacy. The group will ultimately be weighing in on the following draft mission statement and goals, and will work from there to develop a workplan for the next two years. Because the social studies standards for public schools are being updated this school year (review committee is being formed over next 2-3 months via an application process), it was critical that this discussion precede the development of the overall workplan for the group. The objectives for this first meeting were:

* Begin to understand the stakeholders, roles and opportunities for strengthening MN’s financial education system
* Understand the Framework for Financial Capability
* Assess how to effectively support the development of personal finance skills within K-12 school system.

**At the next meeting, we will:**

* Weigh in and flesh out the following draft mission statement and workplan
* Begin compiling research and determining roles and tasks

DRAFT Mission of Financial Education Group:

*Increase access and quality of financial education opportunities and resources that can help low-income individuals establish greater financial security.*

|  |
| --- |
| **DRAFT WORKPLAN** |
| **Goals** | **Key Strategies** | **Tactics** | **Timeline** | **Legislate Role** | **Other Roles** |
| Increase Financial Knowledge and Skills | * Incent people to participate in financial coaching/education during key transitions
* Enable consumers to put newly gained knowledge in action right away
* Integrate Financial Education in to K-12 schools:
	+ Establish personal finance graduation requirements / student testing (?)
	+ Personal Finance course required to be offered/taken?
 |  |  |  |  |
| Strengthening financial education field | * Support statewide certification of financial coaches (i.e. financial coaching standards)
* Completion of ? hours of financial education/coaching (?)
* Develop certain core competencies that tie out to individuals, curriculum, educator training(?)
* Identify key metrics
 |  |  |  |  |

**D. Findings: What key themes, facts and/or background information has your group discovered so far?**

* We have mapped out the Financial Education System and the roles of the different entities within the system. This map will be a working tool for the group to use to identify key players, understand system dynamics, and document changes in players, partnerships and roles.
* Shared information/research on:
	+ Language and framing of the work in the field which takes a lens that financial education is a step along the way to becoming financially capable and ultimately financial secure. The full report from CFSI, “From Financial Education to Financial Capability: Opportunities for Innovation” discusses strategies for improving financial capability based on a scan of financial education literature, interviews with practitioners and stakeholders, and an exploration of new interventions.
	+ Recent National Council on Economic Education Survey of the States which reveals that more states are adding personal finance and economics to their required K-12 curricula, and some require a course in personal finance and/or require student testing.
	+ An article in the October 2010 CommunityDividend, a publication of the Federal Reserve of Minneapolis, notes that while “research on the effectiveness of personal financial education offered in high schools is limited and far from conclusive, … the studies that have been completed so far suggest important and positive short-term and long-term effects of the training.”
* Overview of how financial education is addressed within the MN Academic Standards in History and Social Studies
	+ **How Financial literacy is addressed currently through the high school standard:** “The student will learn and be able to apply personal financial management and investment practices.” There are also benchmarks in the Essential Skills substrand and concepts embedded with the Microeconomics, Macroeconomics and International Economic substrands
		- Benchmarks: Students will –
			1. Analyze short- and long-term investment options such as stocks, bonds, real estate, and mutual funds by comparing the risk, return, and liquidity of these instruments.
			2. Recognize a proper role for credit and how to utilize risk management strategies including the use of insurance.
			3. Explain the concepts of compound interest and the Rule 72, and applicability to both investment gains and debt retirement.
	+ **Next steps in updating these standards:**
		- A committee to update the standards will be formed over the next 3 months. The Department of Education will be accepting nominations for potential committee members.
		- The recommended updates to the standards need to be completed by the committee by end of 2010-11 school year.
		- During the latter part of this committee process input on the draft updates will be gathered from various community experts.
		- The revised standards will then go to the Commissioner for final approval.
		- There is also a 10-12 month rule-making period.
	+ **Summary of key challenges:**

Lack of accountability

* + - No authority outside of local school boards to enforce benchmarks
		- No course required to be offered or taken (exists in some states)
		- No required student testing (exists in some states)

Most teachers lack content expertise and no requirements/incentives to build this knowledge/skill base

* + - Currently, high school teachers in training select course work based on core subjects like economics, history, geography, etc. They do not receive much training on core concepts of financial education/personal finance nor training on how to best teach these concepts. While the U of M is in the process of designing a financial education certification course for students in their teacher certification program, as well as others, there currently is no requirement to take this course.
		- Most teachers currently teaching similarly lack content knowledge.
	+ **Potential opportunities for consideration/further research**
		- Assess how social study standards might be strengthened, including looking at the inclusion of language that would require certain personal finance standards be integrated in to such core subjects as economics, civics, history.
		- Identify core curriculum components
		- Examine how standards are written and enforced in other states, and assess effectiveness of these systems/models.
		- Assess the pro/cons with establishing a separate course requirement for personal finance – note: this would require legislation.
		- Assess success of Junior Achievement model of integrating financial education in to school coursework (i.e. civics, economics). Is this a model that could and should be expanded and if so, what might further public and private partnerships look like?

**E. Potential Recommendations: What ideas is your group considering for further exploration and vetting?**

1. Send out the application for the standards revision committee when it is released and work to ensure engagement of key stakeholders.
2. Create a brief research summary on best practices, learning progression, metrics, etc. for financial education within K-12 schools, that the Dept. of Education committee can use to inform their update of the Social Study standards and that this committee might use to inform other strategies.
3. Assess how personal finance standards are structured in different states and how these standards are enforced.

**F. Standout Considerations: What do you most want the members of the full Commission to know about your group and its work so far?**

* We have drafted a map of the Financial Education System that identifies the key stakeholders, their role, and the relationships.
* We are beginning to compile and share research on Financial Education/Literacy/Capability.
* There are two very distinct sub-fields within the financial education sector, one that is directed at youth and the schools, and the other directed at adults. The stakeholders are in most cases also distinct (they are largely represented on the right side of the system’s map).
* We are looking to hold our second meeting in December where we will:
	+ Develop a workplan
	+ Begin compiling research and determining roles and tasks
	+ Share and discuss learnings around how best to support effective integration and evaluation of financial education in K-12 schools
	+ Identify how we will be supporting the update of the Social Standards
		- Who will be doing what (i.e. seeking out a position on the committee, compiling research, etc.)

**G. Next Steps: How do you intend to proceed and what will you focus on?**

We are currently assessing potentially presenters for the November 18th meeting. Possibly the following:

* overview of research from Dr. Solheim
* brief overview of financial education system (map)
* a panel of presenters on financial education within K-12 system
* summary of next steps

**H. What else do you want the full Task Force to know?**

To learn what strategies might prove effective in improving financial capability, Center for Financial Services Innovation (CFSI) scanned the financial education literature, interviewed practitioners and stakeholders, and explored a range of new interventions. As the financial education field evolves, it is important to focus attention on those strategies that not only help consumers increase their knowledge but also help them establish healthy financial behavior. Becoming financially capable is a critical step toward establishing financial security, particularly for lower-income, financially underserved consumers.

They found that the most effective interventions strive to be:

No standard definition of financial capability exists, but most definitions tend to include the following elements:

* Being able to cover monthly expenses with income
* Tracking spending
* Planning ahead and saving for the future
* Selecting and managing financial products and
* services
* Gaining and exercising financial knowledge

**I. Follow Up Tasks**

* Identify expert in your area that you would like to have testify at the November 18 Task Force Meeting (Consult with Amy Brenengen to set up, speakers should be confirmed no later than November 15)
* Confirm names, emails, organizations for group members.
* Notify group members that their names/organizations will be published on LOP website
* Identify individual to complete this worksheet and return to Amy Brenengen
* Identify individual(s) to report out work of this group to task force at November 18 meeting.
* Schedule a second meeting if needed before November 18 (If your group chooses this option, please communicate date, time and locale to Amy Brenengen so it can be posted and announced).
* Remind Work Group of next Task Force Meeting:

**Thursday, November 18, 2010**

**1:00 – 5:00 p.m.**

**State Office Building Basement Hearing Room**

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