



Financial Capability Factsheet

A Financial Capability Gap Exists for Today’s Generation

Former Chairman of the Federal Reserve, Alan Greenspan once said that “the number one problem in today’s generation and economy is the lack of financial literacy.” It’s rare for young people to receive formal instruction on money matters, and what they do learn often comes informally through observing and listening to peers and caregivers. A 2015 survey by the Organization for Economic Co-operation and Development found that less than twenty percent of 15-year-olds in the United States had the basic financial skills needed in everyday life.

Fortunately, financial education has shown to be effective in mitigating this issue. According to the U.S. Department of the Treasury, individuals who receive personal finance education have higher rates of savings, make bigger contributions to their retirement accounts, and have a higher net worth. Providing intentional and timely training opportunities is essential to ensuring that a financial education program leads to financial literacy. The FINRA Foundation found that, when a “financial education program is carefully implemented, it can improve the credit scores and lower the probability of credit delinquency for young adults” ([National Financial Educators Council](#)). In addition to careful implementation, providing the training opportunities at a point when people feel that the information is relevant to their lives and they can immediately apply their new knowledge and skills in a real-world scenario is a key factor in the success of the training.

However, low-income individuals also face institutional barriers that limit access to quality financial institutions that can support stronger financial health. This obstacle may have to do with the lack of financial institutions in their local communities, or identity theft through the use of their names and data by others (including parents and primary caregivers) to gain credit, thereby damaging the youth’s credit and limiting financial institutions’ willingness to engage with the youth. The National Poverty Center highlights that financial institutions frequently require credit checks to open an account, set high minimum account balances, and have high overdraft fees which can lead to low-income individuals choosing high-cost, but convenient, alternatives like cash checking companies and pay day lenders. In order to overcome this additional challenge, an effective financial capability program must address “both the ability to act (knowledge, skills, confidence, and motivation) and the opportunity to act (through access to quality financial products and services)” ([Center for Social Development](#)).

Building Capacity through Knowledge, Skills, Behaviors, and Access

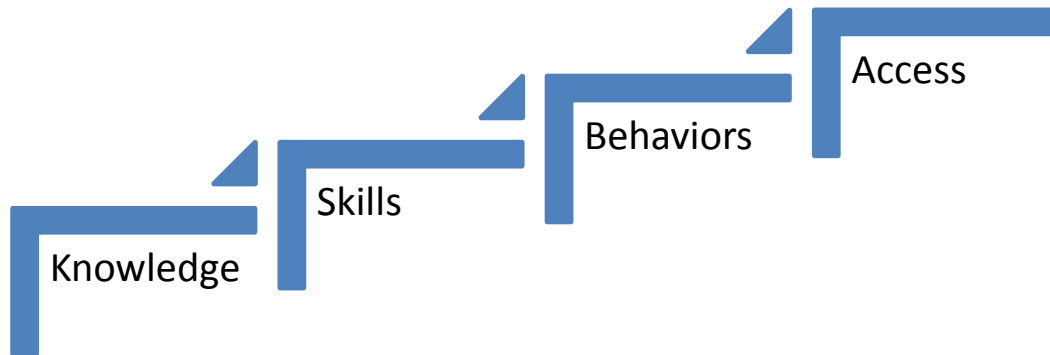
WIOA outlines a vision to deliver integrated, high-quality services to support in-school and out-of-school youth through career exploration, guidance, educational attainment, and skills training leading to a career pathway, post-secondary education, and/or registered apprenticeship ([TEGL 23-14, Workforce Innovation and Opportunity Act \(WIOA\) Youth Program Transition](#)).

WIOA section 129(c)(2) has expanded its youth-centered supports to include a focus on financial literacy education. This means local workforce agencies receiving WIOA funds must now offer or make available financial literacy curriculums or training to youth participating in their programs. Training must support youth’s ability to “create budgets, open checking and savings accounts at financial institutions, learn about credit, and make informed financial decisions”

DOL YouthBuild funded programs that receive WIOA funds must make available financial literacy curriculums or training.

([Resource Guide for Youth Employment Programs](#)). While these financial literacy elements are not specifically identified in Section 171 of WIOA that describes the YouthBuild program, WIOA identifies financial literacy education as an important aspect of both the youth and adult workforce systems. For YouthBuild, this creates an opportunity for grantees to be consistent with the broader workforce system and to move beyond the basics to empowering youth to take control of their financial future.

The US Department of Treasury defines financial capability as “the capacity, based on knowledge, skills, and access, to manage financial resources effectively.” The Center for Financial Inclusion further defines financial capability as “the combination of knowledge, skills, attitudes and behaviors a person needs to make sound financial decisions that support well-being.”







This financial capability factsheet will help support DOL YouthBuild grantees’ alignment with the WIOA financial literacy program element by providing strategies for successfully integrating this element into their existing programming.


Selecting the Right Financial Education Curriculum(a) for Your Program

If your program doesn’t currently offer financial education or is in the market for a new curriculum, consider these options that are aligned with Common Core State Standards and currently in use at YouthBuild programs across the country.

WIOA-Required Content Areas

				
Budgets	Yes	Yes	Yes	Yes
Checking & Savings	Yes	Yes	Yes	Yes
Credit	Yes	Yes	Yes	Yes
Informed Decisions	Yes	Yes	Yes	Yes

Curriculum-Based Trainings

				
Cost	Free	Free	Free	Free
Approach	Bite size modules, real life scenarios, gaming and video content, earn certification	Enhance financial skills and create positive banking relationships, real world	Virtual, real life, decision-making tool	Experiential program model with focus on entrepreneurship, financial literacy, and work readiness
Implementation	Online content followed by activity, teacher dashboard to track progress, pre/post survey to measure attitudinal changes	Instructor led, computer-based, (MP3) Podcasts, train-the-trainer program, four grade level (K-12) curriculum	Online, tiered courses (Junior 8-12, Teen 13-18; Plus 16+)	Volunteer-delivered classroom instruction, elementary, middle, and high school program components
Focus	Impact of financial decisions, apply skills in real world, personal finance	Real-world application, personal finance	Building credit, borrowing, budgeting, spending, and setting goals	Twenty-six programs available with focus areas from personal finance to workplace soft skills to launching a business

See Appendix A for program spotlights that share program experiences with several of the curriculum-based training models highlighted above.

There are four dimensions to consider when evaluating financial education curricula: content, utility, quality, and efficacy (Consumer Financial Protection Bureau). The [Curriculum Review Tool, developed by the Consumer Financial Protection Bureau](#), is designed to help educators review different curricula and determine which will be most beneficial to their students.



For programs that have already identified and implemented a financial education curriculum, the National Endowment for Financial Education’s [Financial Education Evaluation Manual](#) provides sample evaluation tools to assess participants’ knowledge through pre- and post-testing. These sample evaluations may need to be modified to suit the needs of a YouthBuild program, but do provide a framework to evaluate the effectiveness of a financial education curriculum at increasing knowledge and changing behaviors.

Turning up the Volume on Financial Education

Many YouthBuild programs already have a financial education component at their program. If your program is one of these, the strategies below can help to maximize the effectiveness of your financial education content.

The Consumer Financial Protection Bureau recommends incorporating these five research-backed promising strategies and approaches into your financial education training:

1. *Take advantage of teachable moments by providing just-in-time learning*
2. *Allow for repeated exposure to the content*
3. *Incorporate experiential learning*
4. *Support independent decision-making by providing guidance and opportunities for reflection*
5. *Encourage financial research skills*

Moving from Financial Literacy to Financial Capability

Financial Literacy education can provide a bedrock of financial knowledge and skills. However, long-term financial security and well-being requires a change in behavior and attitudes as well. To support youth toward this end, YouthBuild programs should consider:

- 1. Timing of Financial Training** –Young people are best positioned to learn more about money management when or shortly before they receive their first paycheck ([Resource Guide for Youth Employment Programs](#));
- 2. Direct Deposit** - The easiest way to save is to make it automatic. Offering direct deposit for stipends and wages can help youth reduce debt and build wealth. The Consumer Federation of America has a campaign, [America Saves](#), that can help staff motivate and encourage youth toward their saving goals;

3. Good Financial Institution Partnerships - Youth are able to save more when they have access to “youth-friendly” account products with low or no banking fees. The [Cities for Financial Empowerment \(CFE\) Fund's](#) national platform, Bank On, has developed [national account standards](#) that can help local workforce agencies benchmark account products and select a financial institution partner. The Community Reinvestment Act supports these efforts, as it was “designed to encourage banks to help rebuild and revitalize communities through sound lending and good business judgement that benefits the banks and the communities they serve” ([Office of the Comptroller of Currency, 2014](#)). Finding the right partnership can be mutually beneficial - workforce agencies can better serve their youth and financial institutions can further their business and civic goals ([Resource Guide for Youth Employment Programs](#));

4. Engage Staff in Financial Trainings - In 2018, the US national debt hit a historic high of \$21 trillion dollars. This growing debt crisis is an indicator that financial capability training would not only be beneficial for the young people, but could also serve as a personal and professional development opportunity for your staff. Several of the financial capability education platforms outlined in this factsheet have a train-the-trainer component. Another approach is to have your staff certified in financial education like a DOL YouthBuild grantee who partnered with their local United Way to have all of their staff certified in financial literacy. Employing these strategies could help deepen the capacity of your program and support continuity and sustainability of this important program element should you encounter staff turnover; and

5. Refer Youth to Credit Counseling Agencies - If a young person is in need of extensive financial intervention beyond the capacity of the program, consider referring the youth to an accredited, nonprofit, financial counseling service. These agencies can help a young person with a debt consolidation and/or action plan to improve his/her credit. While these credit counseling agencies are extremely helpful in complex credit resolution situations, referring youth to an external agency that is not a partner may hinder a program’s access to pertinent youth data such as progress towards financial goals. However, referring a young person to an accredited external agency should be considered when necessary. The Department of Labor’s Employment and Training Administration webcast, *Building Financial Capability in Workforce Programs*, highlights a “refer, partner, do-it-yourself” approach [here](#).

Conclusion

While many young adults receive no formal financial education training before entering the workforce, that should not be the case for YouthBuild students. Under WIOA, there is a strong emphasis on the workforce system taking responsibility for training participants to be prepared to be responsible with the wages that result from the training and placement support provided. This work is complex, but YouthBuild programs can make a difference and help young people take important steps on the path toward financial well-being, both in the short- and long-term. The strategies and recommendations in the factsheet can help YouthBuild programs make the most of the time they have with students to develop their financial capabilities.



Appendix A. Program Spotlights: Compton YouthBuild and YouthBuild Canton/Project REBUILD

Kim Hughes, Co-Executive Director of Compton YouthBuild, and Joanna James, Executive Director of YouthBuild Canton/Project REBUILD, share financial education training practices at their respective programs. A virtual and in-person curriculum-based training model is highlighted below.

Program Name: Compton YouthBuild
Program Contact: <i>Kim Hughes, Co-Executive Director</i>
1. Financial Literacy Training/Curriculum Name: Banzai
2. How long have you used this training/curriculum? Five years
3. Why/how did you select this training/curriculum? <ul style="list-style-type: none">• We partnered with a charter high school, and wanted an effective program that met our state guidelines (Common Core State Standards/CCSS) for secondary education. Banzai was developed in accordance with national CCSS in Financial Literacy for our state.• We wanted a program where our participants could work through at their own pace, absorbing information based on their learning modality without someone “talking” at them, which has been a common complaint in the past.• This online, self-directed program gives our participants complete autonomy over their learning and has been more impactful than a “stand up and deliver” financial literacy training. The curriculum is interactive with a game component that speaks to the ways in which many of our young people like to access information.
4. Do you have a partnership with a financial institution to support youth banking? <ul style="list-style-type: none">• Yes, we partner with Southern California Edison Federal Credit Union (SCEFCU).
5. Do they have youth friendly account products (no/low fees, direct deposit, no monthly minimum balance, etc.)? <ul style="list-style-type: none">• SCEFCU has very friendly youth accounts and the team from SCEFCU has been amazing working with our young people and staff.
6. How do you assess or track outcomes related to youth’s knowledge or financial behavior changes? <ul style="list-style-type: none">• Banzai provides a pre- and post-test to assess participants’ knowledge. At this time we do not have a real good methodology for assessing and/or tracking outcomes around behavior.
7. Do you offer direct deposit? If yes, what were the benefits or challenges with implementing? <ul style="list-style-type: none">• Not at this time. We are considering for the future.
8. What has been one success with implementing financial literacy training and what is an area of improvement? <ul style="list-style-type: none">• One success has been that our participants have a clearer understanding of “wants versus needs” and that you have to be able to allocate your monetary resources accordingly. We could improve upon our ability to assess and/or track their knowledge (e.g. behaviors) around finances post-training.

Program Name: Project REBUILD / YouthBuild Canton

Program Contact: *Joanna James, Executive Director*

1. Financial Literacy Training/Curriculum Name: Junior Achievement (JA)

2. How long have you used this training/curriculum? One year

3. Why/how did you select this training/curriculum?

- We had a previous relationship with the organization; our staff volunteered to teach their lessons in elementary settings and JA staff/volunteers did individual sessions in the past.
- We were able to add the JA financial education training to our application to be the contracted provider for WIOA youth workforce development services for our local workforce area. We work with Comprehensive Case Management and Employment Program TANF-eligible youth. JA meets two of the fourteen required WIOA program elements: Financial Literacy Education and Entrepreneurial Skills Training.

5. Do you have a partnership with a financial institution to support youth banking?

- Our organization has a banking relationship with First Commonwealth and they present to our members in Mental Toughness as they are setting up direct deposit (i.e. difference between checking, savings, etc.).
- We have also worked informally with Fifth Third Bank in the past (staff have come to the program to do individual classes).

6. What were the determining factors for selecting the financial institution(s)?

- We have enjoyed the relationship with First Commonwealth. Their staff embraces our program, understands our goals, and gets to know our students on a personal level (attending their graduations, asking about the kids, encouraging attendance, etc.). The branch is geographically close to the program, which also helps our students.

7. Do they have youth friendly account products (no/low fees, direct deposit, no monthly minimum balance, etc.)?

- Yes. For our students, there is no minimum amount to set up accounts at First Commonwealth and they waive any maintenance fees while a young person is active in the program. They work directly with our fiscal department to make creating the accounts easier.

8. How do you embed financial literacy training into your existing programming?

- JA spends the first three months of our nine month program implementing their curriculum one day per week.
- Members receive direct deposit reports for each two-week pay period and those are reviewed with staff if necessary.
- We offer direct deposit into more than one account (highly encouraging automatic deposit into savings in addition to checking).
- We offer the opportunity to payroll deduct for court fees and fines (we will send payment directly to courts on participants' behalf).
- We have incorporated classes periodically related to building credit, credit scores (and knowing how to monitor), loans and fees, payday lending, eating and cooking on a budget, and couponing.

9. How do you assess or track outcomes related to youth’s knowledge or financial behavior changes?

- Informal conversations with staff regarding their spending habits.

10. Do you offer direct deposit? If yes, what were the benefits or challenges with implementing?

- Direct deposit is required and has been for many years. Some of the push back we get from members is that they want to be able to go and cash a check. They seem to like having cash as opposed to a debit card.
- A challenge is, when they know they have overdrafts or garnishments affecting their accounts, they will push for a physical check.
- A challenge for our fiscal department is sending direct deposits to accounts that may have been closed. There is a delay in having those funds returned and members don’t understand that delay.

11. What has been one success with implementing financial literacy training and what is an area of improvement?

- We have had success adding Junior Achievement to our program and gaining the support and buy-in of their staff and volunteers. One success that we didn’t expect was the additional networking opportunities that come along with it. Our members are being exposed to potential employers and community resources that they may not have been without this partnership.
- One area of improvement would be to try to find ways to change the mindset of our members and teach them how to distinguish wants (clothes, phones, electronics, food) versus needs (planning for rent, groceries as opposed to fast or convenient food, and planning for unexpected expenses).

Resources for Further Research

[2016 Strategy for Assuring Financial Empowerment \(SAFE\) Report](#): The report highlights the actions taken by the Financial Literacy and Education Commission (FLEC) in the past year to reach children, youth and young adults at the early stages of life to help them prepare for their financial futures.

[America Saves](#): A campaign managed by the nonprofit Consumer Federation of America, motivates, encourages, and supports low- to moderate-income households to save money, reduce debt, and build wealth.

[Banzai](#): A free, online financial literacy for students of all ages.

[Community Reinvestment Act \(CRA\) Factsheet](#): The Office of the Comptroller of the Currency offers this factsheet on the CRA, a law intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound banking operations.

[Consumer Federal Protection Bureau \(CFPB\)](#): A U.S. government agency that makes sure banks, lenders, and other financial companies treat consumers fairly. They provide resources for consumers and practitioners as well as data and research on the financial marketplace.

[EVERFI](#): An interactive financial literacy class curriculum with a scalable platform and in-person resources designed not just to drive financial literacy, but financial capability.

[Facts about Youth Financial Knowledge and Capability](#): List of facts that demonstrate the importance of financial capability training for youth.

[Federal Deposit Insurance Corporation \(FDIC\)](#): An independent agency created by the Congress to maintain stability and public confidence in the nation's financial system. FDIC has offered [guidance](#) to encourage federal banking institutions to support youth savings accounts.

[Financial Literacy Practices at YouthBuild Programs](#): This blog post includes links to several financial education curricula that were not highlighted in the factsheet.

[Financial Literacy Resources from Workforce GPS](#): Check out these resources for information and ideas on providing financial literacy education to youth. Includes links to curricula, research and reports, tools, and calculators.

[Junior Achievement](#): Organization dedicated to giving young people the knowledge and skills they need to own their economic success. Through the delivery of cutting-edge, experiential learning in financial literacy, work readiness, and entrepreneurship, Junior Achievement creates pathways for employability and job creation.

[MyPath](#): Helps “bake” banking, saving and credit-building tools and information directly into existing youth employment programs to build local economic pathways.

[Money Smart for Young Adults](#): This curriculum, created by FDIC, helps youth learn the basics of handling their money and finances, including how to create positive relationships with financial institutions.

[Workforce Innovation and Opportunity Act \(WIOA\) Youth Program Transition](#): This Training and Employment Guidance Letter provides guidance and planning information for recipients of WIA Title 1 youth formula funds on the activities associated with the implementation of WIOA.

[Youth Guide to Budgeting \(for youth leaders\)](#): This guide provides step-by-step instructions, tips and strategies that youth leaders can use to develop a budget.