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Financial Education in TRIO Programs

USC

THE PELL INSTITUTE
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Financial Education in TRIO Programs

Introduction

College students ask themselves a gamut of financial questions during their college years: Should I take out a loan? If I take out a loan, should I do so with my school or a private lender? Which lenders can I trust? What does an interest rate mean? How much money do I need for tuition? How much money do I need for food? Do I need to work this semester? If so, should I save money for next year? Should I open a credit card account? If so, with which credit card company should I apply? These questions are especially difficult for some low-income students whose average unmet financial need gap is between $3,500-8,000[1] and who display high levels of financial illiteracy.[2]

1 Cook, B., & King, J. (2007). *2007 Status report on the Pell grant program.* Washington, DC: American Council on Education.

2 Lusardi, A., & Tufano, P. (2009). *Debt literacy, finance experience, and overindebtedness.* (Working Paper). Boston: Harvard Business School.

To address some of the financial challenges facing low-income students, federal policymakers enacted a provision in the 2008 Higher Education Opportunity Act (HEOA) that makes financial literacy[3] a required service of all TRIO programs (or, in the case of McNair, simply makes permissible). Effective August 2008, these programs started offering financial education to the students they serve. The President's Advisory Council on Financial Literacy (2008) defines financial education as "the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being."[4] Given this new federal mandate, it is critical that TRIO professionals become more knowledgeable about financial education programming. For administrators looking to create or refine their financial education curricula, we believe the information contained in this policy brief may prove useful. Presented below are answers to the following questions concerning financial education in TRIO programs:

1. How many TRIO programs offer financial education and what topics are covered?
2. Is financial education a mandatory or optional component within each TRIO program and when do students usually take it?
3. Who teaches financial education in TRIO programs and what delivery method do they use?
4. What type of financial education curriculum do instructors use?
5. Do TRIO program directors evaluate student learning and program effectiveness?

Given this new federal mandate, it is critical that TRIO professionals become more knowledgeable about financial education programming.

Data Collection and Analysis

The data presented in this brief was collected via surveys administered through the Center for Higher Education Policy Analysis at the University of Southern California (USC), in collaboration with the Pell Institute for the Study of Opportunity in Higher Education.[5] Surveys were distributed between March and July of 2008 to all 2,000 TRIO program directors nationwide. Because TRIO programs serve both secondary education students and college students, the survey respondents were program directors who work exclusively with either middle and high school students or college students.

Each TRIO director received an electronic survey via email. Twenty-eight percent (550) of program directors from all regions of the country and institutional types responded to the survey. Student Support Services (47%), Upward Bound (36%), and Talent Search (20%) directors had the highest response rates followed by McNair (6%), Educational Opportunity Centers (6%), and U/B Math–Science (5%).[6] The financial education survey contained 26 questions grouped into five categories: financial topics covered, program evaluation, curriculum, teacher and delivery method, and timing and requirement of

3 The President's Advisory Council on Financial Literacy defines financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing" (p. 35). In this brief we use "financial education" in reference to the education that students receive in order to become financially literate.

4 President's Advisory Council on Financial Literacy. (2008). *2008 Annual Report to the President.* Washington DC: US Department of the Treasury.

5 This survey emerged from a three-year research study, sponsored by the Lumina Foundation for Education, on Individual Development Accounts (IDAs). An IDA is a matched savings account for low-income individuals to save toward a first business, homeownership, or postsecondary education. In addition to matched savings, the IDA includes financial literacy education, asset-specific education, and case management.

6 Note: Respondents could select more than one option, so numbers do not add to 100 percent.

education. The survey items were primarily multiple choice and yes or no questions. We also included eight open-ended questions, so TRIO directors could provide additional details on the financial education curriculum offered in their programs. We ran the quantitative data through SPSS to get percentages and analyzed qualitative data to identify trends and compiled them into categories.

Principles of Effective Financial Education

The literature on financial education demonstrates three principles that help to enhance the effectiveness of programs offered. We used this literature to design the survey and interpret the findings.

1. **Teachable moments:** Financial education experts have found that learning and change in financial behaviors are more likely when the financial education is offered at the same time that individuals are making a specific financial decision.[7]
2. **Active, experiential, and problem-based learning:** Financial education should also allow students to actively participate in their learning through worksheets, discussing personal experiences, and case studies.[8]
3. **Evaluation:** Financial education should incorporate evaluation in order to understand target populations and determine its effectiveness in terms of knowledge and behavior.[9]

How Many TRIO Programs Offer Financial Education and What Topics are Covered?

While the number of programs offering financial education may have changed since the 2008 provision took effect, it is still important to have a baseline for the number of programs offering financial education as of July 2008. As illustrated in Figure 1 on page 4, 51% of the survey respondents offered some sort of financial education programming. However, this number may be smaller as the financial topics covered by the college preparation programs[10] differs from the topics offered by college success programs.[11] The findings indicate that the programs that serve high school students focused more on financial aid issues, whereas those that serve college students focus more on personal finance topics, financial independency, and life after college. For example, the top three topics covered by college success programs were:

1. money management
2. budgeting
3. debt

> **The findings indicate that the programs that serve high school students focused more on financial aid issues, whereas those that serve college students focus more on personal finance topics, financial independency, and life after college.**

7 Lerman, R., and Bell, E. (2005). *Financial literacy strategies: Where do we go from here?* (Policy Brief 2006-PB-10) Networks Financial Institute: Indiana State University.

8 Hilgerth, M., Hogarth, J., & Beverly S. (2003). Household financial management: The connection between knowledge and behavior. *Federal Reserve Bulletin*, pp. 309-322 and Ardalan, K. (2006). Learning styles and the use of the *Wall Street Journal* in the introductory finance course. *Academy of Educational Leadership Journal, 10*(2), 1-21.

9 Willis, L. (2008). *Evidence and Ideology in Assessing the Effectiveness of Financial Literacy Education* (Research Paper No. 08-08). U of Pennsylvania Law School, Public Law.

10 Upward Bound (UB), Upward Bound Math-Science (UBMS), and Talent Search (TS) serve students in grades six through twelve who are interested in going to college. Education Opportunity Centers (EOC) work with adult students with college aspirations.

11 Student Support Services (SSS) and the Ronald E. McNair Post-Baccalaureate Achievement Program (McNair) serve primarily college students.

FIGURE 1:
Does your TRIO program offer financial aid?

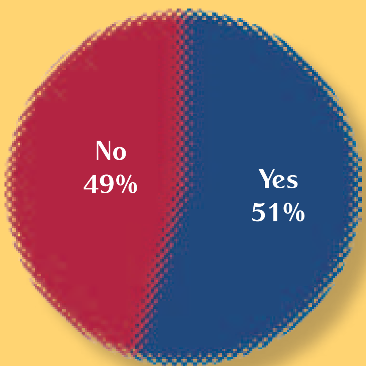
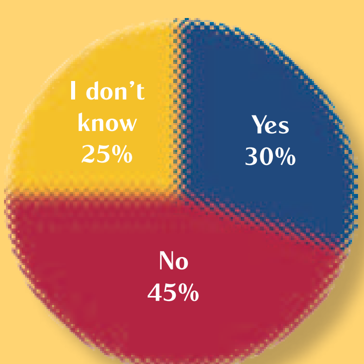


FIGURE 2:
If you don't offer financial education, does your institution offer financial education?



In contrast, the three topics most frequently covered by college preparation programs were:

1. paying for college
2. understanding financial aid
3. applying for financial aid

These could be labeled financial aid education rather than financial literacy education, which is a much broader topic. For example, in financial aid education, students are assisted in filling out their FASFA forms and determining whether or not they need to take out loans. In contrast, financial literacy focuses on larger financial topics such as how students should budget their first year using financial aid money and how to stay out of debt. The main topics highlighted by each program seem purposeful as financial aid information is critical for high school students who aspire to attend college, and financial literacy education is appropriate for college students who are facing concerns about many financial firsts. However, this finding shows that less TRIO programs (particularly those serving high school students) are offering a comprehensive financial literacy program. In college preparatory programs, providing financial aid education was the primary focus while financial literacy seemed to be a secondary priority.

Of the TRIO programs that indicated they did not offer financial education, 87% would like to provide these services to their students. When asked why they do not offer financial education, some TRIO directors responded that they lacked knowledge and resources to offer it. For example, some TRIO directors were unsure how to deliver financial education and mentioned that they needed more information and resources on the topic. Also, of the TRIO programs that did not currently offer financial education but would like to, 25% responded that they did not know if the postsecondary institutions they work with offer financial education (see Figure 2). We hope to inform TRIO directors about the resources available on- and off-campus in the conclusion and recommendations section of this brief.

Is Financial Education a Mandatory or Optional Component Within Each TRIO Program and When Do Students Usually Take It?

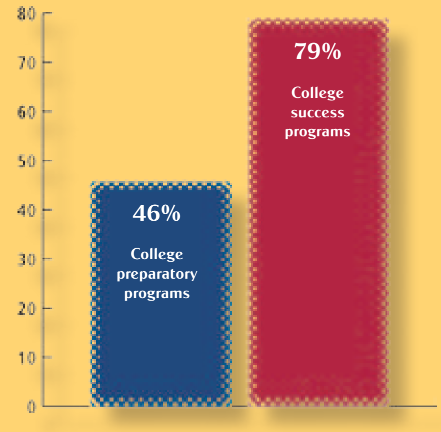
Although 51% of TRIO programs were offering financial education, only 36% of the financial education services provided by TRIO programs were mandatory for TRIO students. Staff expressed their wish that financial education would not be an optional session choice but, instead, would be mandatory for all their students. The new HEOA mandate should propel TRIO programs to implement their financial education as a mandatory service.

When we looked more closely by type of program (see Figure 3 on the next page), we found that 46% of college preparatory programs and 79% of college success programs give their students the option to attend financial education sessions. Because financial education is not mandatory in many TRIO programs, it seems evident that many of the TRIO students are not maximizing the full benefits of the services offered in their programs.

The data indicate that the majority of TRIO students receiving mandatory financial education are high school students, but as mentioned above, these students are mainly receiving information on financial aid and paying for college. Therefore, even though college success programs are focusing on broader financial literacy topics, college students in TRIO are less likely to receive financial education through their TRIO program because these sessions are most likely optional.

Directors of SSS programs, the main in-college success program, said that students typically take financial education in their first year. However, the college preparation programs for high school students seemed to be more systematic in the timing of their financial education (as evident by their financial education descriptions). For example, a workshop for a junior in high school may cover attending college and the cost of college, and a session for a high school senior may cover completing FAFSA and scholarship applications. In other words, TRIO staff in college preparation programs introduce topics when they are relevant to the student's life, whereas college success programs do not typically offer financial education topics tailored to financial experiences students are likely to encounter based on their year in school and maturity. Instead, college success programs offer the same financial education to both first-year students and seniors in college even though they are going through different experiences and have different maturity levels.

FIGURE 3:
Optional financial education

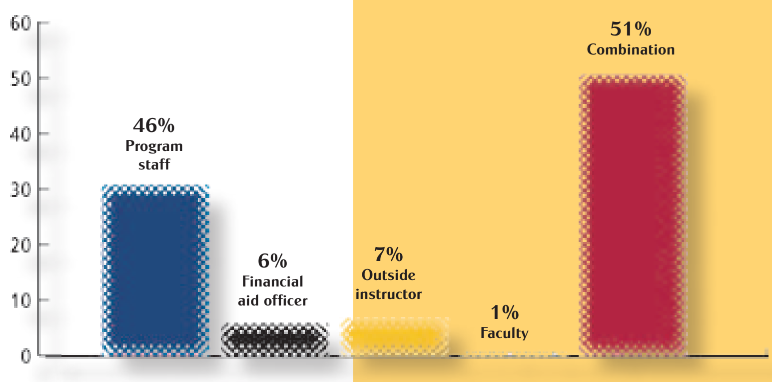


Who Teaches Financial Education in TRIO Programs and What Delivery Method Do They Use?

Fifty-five percent of TRIO programs had more than one instructor teaching financial education. The mix of instructors varied to include program staff, financial aid officers, outside instructors, and/or faculty teaching financial education sessions. For example, TRIO staff would have a financial aid officer come in to speak to their students about filling out FASFA forms and/or invite a representative from a local bank to discuss topics such as financial responsibility and saving. Forty-five percent of programs did not combine expertise and were taught by a single instructor. For example, 31% of TRIO staff solely taught the financial education, followed by financial aid officers (6%), outside instructors (7%), and faculty (1%) (see Figure 4). Because most TRIO directors and staff are not financial experts, they educated themselves by finding financial information on the Internet, by working with outside organizations like unemployment offices, by gathering printed materials, and through cultivating relationships with financial experts in the community.

Ninety-two percent of instructors used in-person group sessions as their main teaching format. TRIO directors consistently used the word "workshop" to further describe their preferred method of delivery for the information. Some of these workshops included a variety of teaching methods including PowerPoint presentations, hand-outs, group discussion, and case studies. Some of the TRIO staff also tried to include games and activities to help the students learn about personal finance. For example, one program mentioned taking its students to a car lot to discuss the costs associated with buying a car with the dealer.

FIGURE 4:
Who teaches the TRIO financial education?



To fulfill the promise they see in financial education, TRIO staff explained they need resources and direction, which we hope this policy brief provides.

What Type of Financial Education Curricula Do Instructors Use?

In one of the open-ended survey questions we asked directors offering financial education to provide us with a brief description of the financial education curriculum used in their program. We found there were three financial education curricula used by the different instructors: 1) curriculum of an off-campus organization, 2) curriculum of an on-campus office, and 3) a customized curriculum.

Off-campus curriculum — Other organizations' financial education programs were mentioned as curricula used for TRIO students. These curricula would either be used partially or in their entirety by TRIO directors or would be used by a representative from the following organizations:

- Financial institutions/banks
- State guaranty agencies
- Loan organizations
- Consumer credit counseling organizations

On-campus curriculum — Other curricula mentioned by TRIO staff were those available through other on-campus entities. Again these curricula were either used by the TRIO staff or taught by the staff in the following postsecondary offices:

- Financial aid offices
- On-campus credit unions
- Career centers
- Student credit and money management services
- Student activities (who host Freshman Orientation)
- Business departments
- Extension offices

Customized curriculum — The TRIO directors who customized their own curriculum would create materials and lessons for students by drawing from a variety of resources. These resources included information borrowed from the on- and off-campus organizations mentioned above and incorporated the directors' own information and activities.

Do TRIO Program Directors Evaluate Student Learning and Program Effectiveness?

About 40% of respondents evaluated student learning and program effectiveness through a variety of tools. Some directors used reflective papers where the students would write down what they learned in the session and then the TRIO staff would follow-up a month later to see if they retained the learning. Others used surveys involving Likert scale and open-ended questions, quizzes, and pre- and post-tests. Most of the survey respondents who used pre- and post-testing indicated that their evaluations showed students gained knowledge in the financial topics they learned. Another way that directors determined if students were learning and if their financial education program was effective was through projects such as filling out financial plans or budgets. A few wrote about observing their students practicing the financial concepts they learned. One director commented how a couple of her students actually practiced what they learned in the financial education sessions and came out of debt. However, some directors noted they were unsure if students were actually practicing the knowledge they acquired. For example, it was hard to determine whether the students were using the budget sheets they were given or trying to avoid credit card debt.

In addition to evidence of students gaining knowledge in finances, some TRIO students also rated the financial education component of their TRIO program highly. Some directors noted that many of their students had little understanding of financial management and that students told them that they wished they had attended a financial education session earlier.

Conclusion and Recommendations

TRIO staff understood the value of financial education and described a variety of reasons they thought it was critical ranging from increasing access, reducing dropout and stopout rates, and boosting students' self-confidence. Some also mentioned financial education helping to break the cycle of poverty and empower low-income students. To fulfill the promise they see in financial education, TRIO staff explained they need resources and direction, which we hope this policy brief provides.

We understand that creating or finding a complementary financial education program for your TRIO program can be a complex endeavor. However, based on the findings in the current study and our review of the literature, we offer nine recommendations that may help improve you or create a financial education curriculum.

- **Check out resources from external organizations:** TRIO staff should research financial education organizations in their community or online. Even though most TRIO directors develop their own programs, a great deal of time and energy is needed to create a customized curriculum. Many TRIO programs did not offer financial education because they did not have the time to develop a new program. If this is your situation, use ready-made curriculum available from outside organizations. Several financial education programs have been developed for youth, adults, and students. Staff that work with different populations can chose from one of these existing models that have already been researched, evaluated, and vetted. In addition, these options usually are inexpensive or free. To begin, check out our website for a list of financial education resources: http://www.usc.edu/dept/chepa/IDApays/resources/financial_resources.pdf.

- **Contact postsecondary offices:** Call financial aid, student activities, the business department, and/or the extension office to see if they are already offering financial education to students. Using resources already available will avoid duplication of services and enable you to implement a financial education program without delay. One potential problem to consider is that financial education on many college campuses may focus on serving traditional college students and neglect issues specific to low-income students. Therefore, you should encourage experts to customize their curriculum to the needs of low-income students or co-create materials with them that include your expertise of low-income students.

"Based on the findings in the current study and our review of the literature, we offer nine recommendations that may help you improve or create a financial education curriculum.

> Whether you use a postsecondary institution's financial resources, other organization's resources, or create your own financial education curriculum, evaluating student learning and program effectiveness is critical.

- **Talk to colleagues:** Find out about your colleagues' customized their curricula and evaluation methods. Because curriculum development is such a time-consuming task, we recommend that TRIO staff who have created their own financial education curriculum and have had positive evaluations of student learning and program effectiveness share their financial education curricula with colleagues. Programs may need to modify some elements of the curriculum to best serve their unique student and program demographic. Youth and adult financial education programs typically differ in emphasis (please see our program design paper: http://www.usc.edu/dept/chepa/IDApays/publications/new_strategies.pdf). For example, TRIO staff members could present their curriculum and successful case studies at the next Council for Opportunity in Education (COE) conference. Learning from one another is especially helpful because all TRIO programs are serving similar populations — low-income students.

- **Combine expertise**: A popular approach to teaching financial education was capitalizing on cross-campus and off-campus expertise, in addition to using TRIO staff. This approach allows TRIO programs to create a more comprehensive program by providing additional resources to students from financial experts on- and off-campus. While our survey did not test these results, combining expertise seemed to be a helpful principle.

- **Take advantage of teachable moments:** SSS programs may want to consider being more systematic in the timing of their financial education since studies of financial literacy demonstrate it works best when offered at teachable moments. Spreading out the education over a student's four years in college could be very beneficial. Students in their first year of college are bombarded with a lot of new information about college and may not remember all the advice they receive. This also allows financial topics to be reinforced over time and allows the staff to highlight particular topics according to the student's year in school and maturity. For example, freshman may need more information on budgeting and credit cards, whereas seniors may need assistance in work/school balance and paying back loans.

- **Use active, experiential, and problem-based learning:** Diversify your teaching methods by using active, experiential, and problem-based learning techniques. Active and experiential learning involves personal involvement and experiences with the subject at hand. For example, some directors give their students budget worksheets to allow students to fill in their budget for the month. This allows students to actively participate in the financial concepts they learn. Problem-based learning involves reviewing case studies in order to allow students to apply and actively construct learning about finances. Some directors also give students the opportunity to work in groups and discuss problems together. These methods can increase students' learning by connecting financial knowledge to their lives and allowing them to work through problems together.

- **Prioritize financial education topics:** We highly encourage college preparation programs serving high school students to include more financial literacy education services. Please note that financial aid education is still critical for high school students; we are merely stating that financial literacy topics, such as saving through summer work, credit card use and debt, and money management should also be covered in workshops.

- **Evaluate student learning and program effectiveness:** Whether you use a postsecondary institution's financial resources, other organization's resources, or create your own financial education curriculum, evaluating student learning and program effectiveness is critical. This will allow you to make the necessary changes if the scores are low and give you the confidence that your students are gaining the knowledge they need to be successful in college and in the future. Many postsecondary institutions have assessment centers to help their staff better evaluate their programs.

- **Make financial education mandatory:** Although all TRIO programs are now required to offer financial education through the new mandate this does not mean that this service would be mandatory for all students. Therefore, we recommend that directors enforce mandatory attendance to financial education services.

We hope these recommendations will give the 51% of TRIO programs offering financial education some ideas on how to improve their financial education by being systematic in timing, diversifying teaching methods, combining expertise, and evaluating student learning and program effectiveness. In addition, we hope the 49% of TRIO programs that do not have a financial education component can learn from the experiences of their colleagues explained in this brief in order to fulfill the new HEAO mandate. TRIO directors can begin this endeavor by contacting likely postsecondary offices and outside organizations with expertise in financial education, in addition to talking amongst their colleagues to gain examples of their curricula.

For more information about offering financial education through IDAs see the following reports:

Examining the potential of education IDAs: A report on the IDA-PAYS research project http://www.usc.edu/dept/chepa/IDApays/final_report.html

New strategies in delivering education IDAs: Rethinking program design http://www.usc.edu/dept/chepa/IDApays/publications/new_strategies.pdf

IDAs and financial aid: Understanding the puzzle and sharing best practices http://www.usc.edu/dept/chepa/IDApays/publications/financial_aid.pdf

Also, be sure to check out our newly designed website which provides a gamut of resources to help those interested in implementing IDAs: http://www.usc.edu/dept/chepa/IDApays/.

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