2014 Annual Report

The Center for
FINANCIAL LITERACY
at Champlain College
Preparing students &
adults to make sound decisions

CHAMPLAIN.EDU/CFL


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Letter from the Director

In the words of former President Bill Clinton, financial literacy is “a very fancy term for saying spend it smart, don’t blow it, save what you can, and know how the economy works.” Right he is. But fancy term or not, achieving financial literacy is no small task. I believe that in the four years the Center for Financial Literacy has been in existence, we have made considerable progress. We have made a compelling case for the need for personal finance education. We have helped create awareness that financial illiteracy is a national problem that needs to be formally addressed by our schools, colleges and communities, and we have developed a number of successful initiatives to begin to make that needed education a reality.

THE PROBLEMS WE FACE ARE DAUNTING:

- Only 40 percent of states require personal finance education for high school graduation.
- On an international financial literacy test of 15-year-olds, the U.S. ranked in the bottom third behind China, the Czech Republic, Poland and Latvia, and was statistically tied with Russia—what a “Sputnik” moment.
- Seven in ten college students from the class of 2013 graduated with student debt that averaged $28,400 and delinquency rates on student loans continue to soar.
- Four out of ten adults give themselves a grade of C, D or F on their personal finance knowledge—and it shows; more than one-third of adults have no retirement savings and more than half have subprime credit, meaning they will pay a lot more in interest on all types of loans, credit cards and mortgages. Four out of ten adults give themselves a grade of C, D or F on their personal finance knowledge—and it shows; more than one-third of adults have no retirement savings and more than half have subprime credit, meaning they will pay a lot more in interest on all types of loans, credit cards and mortgages.

A NEW TASK FORCE FOR FINANCIAL LITERACY

The achievement I’m most proud of this past year was launching the Vermont Financial Literacy Task Force, made up of 20 leaders in education, government, business and the nonprofit sector. Their mission is to help policymakers understand the broad ramifications of financial illiteracy and to make recommendations (which you’ll read more about in this report) that would provide a path for all Vermonters to obtain the personal finance knowledge and skills that they need to succeed. Although this initiative is very specific to Vermont, I believe the task force structure and many of its findings can easily be applied to other states.

TRAINED TEACHERS MAKE A DIFFERENCE

The other initiative of 2014 I would like to highlight is the High School Pilot Program. Its goal is to compare the knowledge and behaviors of high school students that have taken a personal finance course taught by highly-trained educators (trained by our Center’s Summer Institute program) with a control group of students that have not received classroom instruction on this important topic. We are in our second academic year of gathering hard data by following trained teachers in their classrooms. A report on this effort will be issued in the fall of 2015.

GOALS FOR 2015

Each year, I look forward to expanding our innovative programs and reaching more students and adults in our own state and nationally. Following are some of our plans I’m excited about:

- Creating a standardized assessment to measure high school and college students’ financial literacy.
- Issuing an update to our 2013 highly regarded National Report Card on State Efforts to Improve Financial Literacy in High Schools.
- Finding partners to help us transform Awesome Island, our award-winning personal finance board game for middle and high school students, into a free, online educational game available to teachers and students across the country.
- Launching a website in the fall of 2015 created by high school educators to give their peers access to vetted and trusted financial literacy tools and curricula that they can confidently use in their classrooms.
- Finding ways to bring free, online personal finance curricula, educational videos and tools to young adults across the nation.

YOU CAN MAKE A DIFFERENCE

We believe our initiatives at the Center are transforming personal finance education in Vermont and across the United States. Our efforts are greatly aided by the Center’s affiliation with Champlain College. The backing of Champlain President Donald J. Laackman, our advisory board, Vermont’s state government, and business, nonprofit and education leaders makes it possible for us to continue this significant work.

In summary, we believe we are making an impact on improving financial literacy at every level, from kindergarten through college and on into the adult years. But only with your support can we continue to pursue pioneering educational initiatives that will lead to a more financially sophisticated population. Our work is made possible by individual, corporate and foundation donors, as well as grants. Please help us achieve our goal of personal finance skills and knowledge for all of our citizens.

Thank you for your support of the Center.

Sincerely,

John Pelletier
Director

The Center for Financial Literacy at Champlain College

Spring 2015
Will Policy Makers Mobilize To Fight Financial Funk?

A VERMONT TASK FORCE TAKES ON THE CHALLENGE OF FINANCIAL ILLITERACY

Calling on a diverse cross-section of leaders from education, government, business and the nonprofit sector, the Center established a Financial Literacy Task Force that recommended ways to improve the financial literacy of all Vermonters. In December 2014, the Task Force issued its report and recommendations.

Recognizing the lack of personal finance education in our schools and colleges, high levels of college student debt, and a lack of adequate retirement and rainy day funds, the Task Force emphasized that it was imperative to address these problems in a timely manner.

To accomplish this, they recommended that the Governor and/or the legislature establish a Vermont Financial Literacy Commission with representation from business, education, government and nonprofit organizations.

VERMONT NEEDS AN ACTION PLAN NOW

In today’s world, knowing how to save, spend and invest responsibly is an essential life skill, and Vermont just hasn’t done enough to prepare its citizens for success. Too many Vermonters are in a financial funk starting at an early age.

Some of the major challenges highlighted in the report:

- Financial literacy topics in Vermont’s K-12 Framework of Standards and Learning Opportunities on personal finance topics have not been updated since the year 2000. Only seven Vermont high schools have adopted a personal finance graduation requirement.
- High school students make one of the most important financial decisions of their life -- to attend college or not -- without connecting their field of study or career choice with their projected income level.
- Less than 10 percent of Vermont workers participate in an employer-based retirement plan, and only 24 percent of adults have a rainy day fund that would cover three months of life’s necessities.

FINANCIAL LITERACY 101

When they graduate, Vermont high school students should understand how credit works, how to budget, and how to save and invest. College graduates should understand those concepts, in addition to the connection between income and career and how student loans work. Vermont adults need to understand the importance of rainy day and retirement funds, and the amounts they will need in those funds.

RECOMMENDATIONS

The task force divided into three sub-committees to address the needs of the various age groups, from kindergarten to adulthood, and issued recommendations appropriate for each sector.

FROM THE K-12 COMMITTEE

- Update Vermont’s existing personal economics and career choices education standards to be more consistent with highly regarded national and international financial literacy standards that have been adopted by many states.
- Ensure that all Vermont high school students have access to a personal finance course.
- Provide personal finance training opportunities to 12 year olds.
- Create an online clearinghouse of vetted and trusted financial literacy resources for Vermont K-12 educators.
- Establish grants for K-12 schools to launch new financial literacy education programs or to improve existing ones.

FROM THE COLLEGE COMMITTEE

- Offer access to robust financial literacy education opportunities to all Vermont college students.
- Create a Financial Literacy Resource and Training Center for use by all colleges in the state.
- Develop a partnership among all Vermont colleges to create a Virtual Career Center.
- Create a pilot Child Savings Account Program.

FROM THE ADULT COMMITTEE

- Provide adults with a wide variety of personal finance learning opportunities.
- Increase the opportunities and incentives for low-income Vermonters to save and build assets.
- Increase the percentage of Vermont employers who are saving for retirement.

CHANGING FINANCIAL OUTCOMES

Once implemented, the recommendations of the Task Force will materially increase Vermonters’ financial knowledge and enable them to make positive changes in their personal and professional lives. Vermonters need the skills and tools to take control of their financial lives. The path forward is education. Financial literacy means a more prosperous and stronger economy for all of us. Go to financialfunkVT.org to view the report and a short video.
High School Pilot Program

THE PROGRAM’S FINAL PHASE WILL SHOW THAT HIGHLY TRAINED EDUCATORS MAKE A DIFFERENCE

The Center believes that trained teachers are key to solid personal financial education. A five-year educator training and high school financial literacy education pilot program was begun in 2011. The program was set up so that it would be possible to compare the knowledge and behaviors of high school students who have taken a personal finance course taught by highly-trained educators with a control group of students who have not received classroom instruction on this important topic. The results will be released in the fall of 2015 with our partner on this project, the National Endowment for Financial Education (NEFE).

TRAINING THE TRAINER

The first step was to train teachers. For the first three years of the program, Merchants Bank funded a Summer Institute at Champlain College for middle and high school educators. This financial literacy boot camp covered saving and investing, credit reports and scores, credit and debt, managing risk, income and careers—in short, the financial knowledge needed to navigate daily life. The Summer Institute was one of the few places in the nation where an educator could earn a master’s degree credit in learning how to teach personal finance. The Summer Institute educator training program was also recognized by the White House in a report issued in 2012.

If we can obtain funding, we would like to offer this graduate degree training to educators again in the near future.

EXPERIMENTAL RESULTS

Nearly 100 teachers from 78 percent of Vermont’s supervisory unions have participated in the high school financial literacy education pilot program. That may not sound like a lot but the trickle down effect is exponential. Within a decade, more than 37,000 students can be expected to benefit from their knowledge.

PRE-CLASS

39% OF TEACHERS AGREED WITH THE STATEMENT BELOW.

Each year, participants responded to the statement “I have the knowledge necessary to effectively teach my students about personal finance” with one of the following: strongly disagree, disagree, neutral, agree or strongly agree.

POST-CLASS

94% OF TEACHERS AGREED WITH THE STATEMENT ABOVE, AN INCREASE OF 55% SUFFICIENT TO REACH STATISTICAL SIGNIFICANCE.

TAKING MEASUREMENTS

The next two years were spent following 11 teachers in the classroom in order to quantify the results of the training. The Center is currently in the final phase of gathering data and will publish the results this fall. We already know that trained teachers feel significantly more confident. Pre-class training, only 39 percent of teachers felt they had the knowledge to effectively teach personal finance, whereas after the class, 94 percent felt qualified. An added benefit is that participating teachers also reported changing their own financial habits in a positive way as a direct consequence of their training.

CREATING A PROFESSIONAL COMMUNITY

Although the training program was Vermont-based, the ultimate goal is to make this type of educator training available nationally. The Center is developing a website that will go live in November 2015 as a high school resource for educators created by educators. This will be a refereed resource that will enable teachers to see what their peers who have successfully taught personal finance are doing and what works for them. The site will include recommendations from teachers at the pilot schools about best practices and effective instructional tools.

FROM ELECTIVE TO REQUIREMENT

All of the pilot high schools involved in the program have made personal finance education a graduation requirement. Ideally, this subject would be a high school graduation requirement nationwide.

Financial Literacy Assessment

A STANDARDIZED TEST IS NEEDED TO MEASURE PERSONAL FINANCE EDUCATION

Currently, there is no unbiased assessment vehicle to measure what high school and college students are learning in personal finance courses. The type of standardized assessments that are used for math, history, social studies, science, etc., have not been written for personal finance. Ironically, there is an international test (OECD PISA test) for 15-year-olds, but not a national one in the U.S.

The Center is in the process of developing a financial literacy assessment for high school seniors and first-year college students. The purpose of the assessment is to determine the financial skill level of students as they prepare to graduate high school or enter college. We have completed the first phase of this project. We have created approximately 400 assessment questions, covering more than 40 topic areas, with the help of a nationally recognized assessment firm. The questions have also been reviewed by a group of expert high school and college educators.

The next phase of the project is to use these questions with students in the classroom before that occurs, the Center must obtain additional funding for a multistate field test and validation study.

TESTING FINANCIAL SAVVY

The primary goal is to have an assessment exam for high school teachers to use. However, it could also be used by colleges to assess incoming first-year students, and again with college seniors to determine their financial preparedness. An effective test will measure the full range of knowledge and skills identified as critical to being a participant in the economy without relying on any specific curriculum or instructional model.

Early savings generate hope

The roundtable enlisted experts from around the country to discuss this kind of asset-building as an antidote to poverty. It’s believed that these accounts not only make college appear more attainable but also can have a positive effect on an entire family’s motivation to accumulate assets. Perhaps such accounts can even have an effect on breaking the cycle of poverty. The Center is an active supporter of efforts to help more low- and moderate-income students open such saving accounts.

Baby Steps

RESEARCH SHOWS EARLY SAVINGS MAKE COLLEGE ATTAINABLE

Children can be guided toward the path for saving smart right from birth. John Pelletier participated in a roundtable on Children’s Savings Accounts at the Federal Reserve Board of Boston which focused on research showing that low- and moderate-income children with savings—even when under $500—were three times as likely to enroll in college and four times as likely to graduate than such children with no savings.

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Putting Financial Literacy to the Test

The Center is developing a financial literacy assessment for high school seniors and first-year college students.
National Report Card

Most States Would Not Take Their Report Cards Home to Mom & Dad

When it comes to report cards, everyone wants an A. But when the Center graded 50 states on their financial literacy education, only seven states earned an A. Sadly, 30 states received grades of C, D or F.

The first “National Report Card on State Efforts to Improve Financial Literacy in High Schools” was issued in 2013, and the Center will release another one in 2015. The goal is to produce a “National Report Card” every other year.

Making Better Grades

There has been some improvement since the first “National Report Card”. Two of the largest states, Florida and California, have passed laws requiring that personal finance be taught. Hopefully, we will see more states earning an A or B in our 2015 update report.

The Report Card Makes News

The “National Report Card” received more national media attention than any other financial literacy initiative and continues to get press. Small wonder; a report card is an easily digestible sound-bit. Thankfully, it has served the purpose of focusing a national spotlight on the shameful lack of education about personal finance. Critical financial issues such as mortgage defaults, foreclosures, student loan burdens, credit card debt and inadequate retirement savings all point to the need for a more financially savvy population. Financial education can no longer be left to chance. It’s as essential as reading, writing and arithmetic.

Read the full report at champlain.edu/cfl-report-card.

Making News

Media Coverage Creates National Awareness of Financial Literacy

Our programs continue to grab headlines. The Center is viewed as a national expert on financial literacy topics and a leader in the development of financial literacy programming. The Center’s work has been highlighted in the New York Times, Money Magazine, CNNMoney, MarketWatch, Time, The Washington Post, MSN Money, Newsday, Chicago Tribune, USA Today, Inside Higher Education, Huffington Post, American Banker, and numerous local publications and television and radio media in Vermont.

Although the Center is proud of this coverage, it’s particularly gratifying when its work truly makes a difference. For example, the Center’s “National Report Card on State Efforts to Improve Financial Literacy in High Schools” was referenced repeatedly in an Iowa Department of Education Financial Literacy Work Team Report issued in September 2014. The report contained eight recommendations on how to increase the personal finance knowledge of students in that state. The personal finance high school grade of “C” given to Iowa by the Center in its “National Report Card” was cited as a reason for concern. Even more gratifying, the “National Report Card” has helped inform debates regarding financial literacy in many state legislatures.

Visit champlain.edu/cff to read about the Center in the news.

Partnering For Page Views

The Center is Proud to be a Part of Marketwatch’s “Money for Life” Series

If you build it, will they come? Not necessarily on the internet. People have to know a site exists before they visit it. By partnering with a large and respected financial website like MarketWatch, which is visited by almost half of all Americans, the Center hopes to get its financial literacy message in front of a national audience.

In October, the Center and MarketWatch started this process by co-hosting and filming an event called “Money for Life” on the Champlain College campus in Burlington, Vermont. A panel of five national experts, including the Center’s director, gave millennials some practical advice on how to have a great financial life, starting right now. MarketWatch has taken these videos along with other editorial content and made them available for their readers. The Center and MarketWatch are planning to co-host additional “Money for Life” panels in 2015.

Leading the Way on Personal Finance

Students Learn Ways to Be Smarter about Money

Credit, budgeting and saving for retirement at an early age are among the topics covered in seminars conducted by Champlain College’s Life Experience & Action Dimension (LEAD) program, which reaches personal finance and other life skills to students. The Center is proud to partner with LEAD in delivering this important personal finance education to Champlain College’s undergraduate students. Our college is one of the few in the nation that requires undergraduates to take personal finance instruction.

The Center helped to acquire funding from Peoples United Bank for LEAD’s “Game of Life” and “What’s My Score?” programs. The “Game of Life” helps students work with a monthly budget they create for hypothetical expenditures. “What’s My Score?” offers free credit review days for juniors and seniors, who engage in one-on-one credit counseling sessions with a highly trained peer.

A Board Game Teaches How to Live And Have a Happy Retirement

Will You End Up on Awesome Island or in the Poor House?

In 2013, the Center assumed ownership of an award-winning board game called Awesome Island, which teaches students about careers, taxes, budgeting, debt, investment and other lifestyle choices that will ultimately affect where they end up in retirement. Students love the game and always ask if they can play it again. There are no do-overs in life, but you can play the game again and again. More than a thousand of these games are currently being used in classrooms countrywide and have been a great way to engage students.

Our goal is to find an economic partner and turn Awesome Island into a free online game available to middle and high school classrooms everywhere.

Higher Education Consortium

The Center and the Life Experience & Action Dimension (LEAD) program at Champlain College also participate in a Vermont Colleges Financial Literacy Consortium, a network of financial educators that meets monthly to share resources and discuss initiatives to help Vermont students navigate their financial futures.

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The New Game of Life

The Center’s board game Awesome Island teaches students about budgeting, careers, taxes, debt and more in a fun and interactive way.

Turning the Spotlight on Financial Literacy

The Center co-hosted and filmed an event called “Money for Life” at Champlain College.

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