

Does Financial Literacy Education Make a Difference? Yes, Says One Researcher



As director of finance for one of the country's largest health professions universities, Kimberly Brown has fielded countless questions about rising college costs and the amount of education debt students are taking on to pay for their chosen field of study. Many colleges, including Midwestern University, where Brown works, have addressed these concerns with campus-based financial literacy programs and counseling sessions designed to help students make informed financial decisions about managing their money, credit cards and student loan debt.

But can such programs actually change the way students act in their everyday financial decision making?

To find the answer, Brown set out to conduct a comprehensive study of her own — the findings of which were the focus of her 2009 doctoral dissertation for Capella University, *Examining the Influence of Financial Literacy Education on Financial Decision-Making Among Graduate Level Health Professions Students*.

Initially, the need for the study was one of metrics, according to Brown. While financial literacy programs are a familiar component in today's higher education landscape, studies that measure their effectiveness are not. Brown explains:

"Years ago, we [Midwestern University] started to develop a financial literacy program on our own campus. At the time, I was serving on USA Funds' default prevention council, and we had reached the point where we were talking about evaluating literacy programs.

"I quickly discovered that no studies had been conducted on the impact of literacy efforts on students' financial decision making. There were only satisfaction surveys — surveys that asked questions such as, 'Did you like the course?' Most colleges and universities simply were not doing evaluations to measure how or if their financial literacy courses may be altering a student's actual financial behavior," Brown says.

The schools that Brown ultimately incorporated into her research included the Illinois College of Optometry, as well as the New Jersey Dental School and the School of Osteopathic Medicine, which are schools within the University of Medicine and Dentistry of New Jersey. According to Brown, those specific schools were chosen because they either had robust financial literacy programs in place or were using creative approaches to deliver financial training to students. For example, the two schools of the University of Medicine and Dentistry of New Jersey that participated in the research used components of USA Funds Life Skills® in their financial literacy programs.

The institutions also were graduate-level health professions schools, and students attending health professions colleges and universities tend to graduate with high student loan debt levels. In 2008, for instance, the average debt load for dental students averaged \$170,367, with public schools averaging \$142,261, and private schools \$204,734.

Brown's survey methodologies consisted of both quantitative and qualitative research using focus groups and written surveys. Among the questions that Brown posed to students:

1. How and to what extent does participation in a financial literacy program influence students' borrowing?
2. How and to what extent does participation in financial literacy programs influence students' decisions on how they budget and spend their money while in school?
3. How and to what extent does participation in financial literacy programs influence students to pay interest on their student loans while in school?
4. How and to what extent does participation in financial literacy programs influence students' credit card usage?
5. How and to what extent does participation in financial literacy programs influence students to regularly review their credit reports and credit scores?

Lessons Learned

Responses to the written survey portion of Brown's research suggested a key correlation between financial literacy education and financial decision making in the areas of credit reports and credit scores. Brown also discovered that financial training had an effect on students' lifestyle choices, such as what they spend on groceries.

Results from the focus groups reinforced this theme, suggesting that financial literacy programs influenced students' budgeting and spending habits, as well as their credit card use.

Data from the study also reiterated the potential benefits to students of incorporating financial literacy training into a university's curriculum. As an example, Brown cites the Illinois College of Optometry, where in addition to financial aid professionals who provide financial literacy training to students, an elective course also is offered.

"Of all the students in the focus groups, these students [at the College of Optometry] seemed to be the most savvy when it came to FICO scores, starting a professional practice or having knowledge about the impact of student loan debt," Brown explains. "To me, this showed that the more training students receive, along with the repetition of the message, the more conscientious they become in terms of financial literacy."

Study participants also gained insight into their financial decision making skills. One student reported checking the National Student Loan Data System site "regularly for his loan balances." Another student expressed concern over her growing indebtedness, stating: "I'm taking out \$40,000 a year and I'm going to be somewhere like \$200,000 in debt when I'm done. It scares me that I owe this much."

Another student reported that the financial literacy training she had previously received from her school helped her "prioritize the amount of loans" she was borrowing and to do all that she could "to minimize the amount ultimately borrowed."

Several students in Brown's study credited financial literacy education as giving them an "appreciation" for budgeting and managing their daily expenditures. And one student indicated that before attending a financial literacy session, he had always "signed up for new credit cards" in order to receive special discounts. When he learned that his credit score could be affected by opening multiple accounts in a short period of time, he decided to promptly change his behavior.

Brown acknowledges that there are certain limitations to her study. Participants were not randomly selected for inclusion in her research; rather, financial aid directors chose which students would participate in the study's focus groups, with entire classes of students asked to participate in the written survey component of Brown's research.

In addition, students who attend financial literacy sessions naturally may be more fiscally responsible than those who choose not to attend such training. Therefore, those who have previously attended financial literacy training may have been more likely to give positive responses about financial decision making on the written portion of the study.

Based on the results of her study, Brown offers several recommendations for health professions schools with regard to financial literacy programs, including:

- ♦ Require more mandatory financial literacy training sessions.
- ♦ Incorporate financial literacy education into the students' core curriculum.
- ♦ Encourage students to attend elective course offerings on financial literacy.

Brown also says that additional research on the topic of financial literacy

education is warranted. Among her suggestions, she believes that further research is needed to determine the influence of in-person training versus other modes of delivery, such as podcasts of Web-based training. She also says that a longitudinal study could prove valuable to evaluating a student's financial decision making after graduation and into his or her professional career.

Next Steps

Brown hopes her study's findings not only will generate increased awareness about financial literacy education and its influence on students' financial choices but also lead to the development of a standardized assessment tool that colleges can use to measure the impact of their curriculum on students' financial decision making.

"This study was about finding the value in the financial literacy efforts that schools create and deliver to professional students," Brown says. "Learning the content of these programs is certainly important; however, it's just as important for schools to determine whether what they set out to teach translates into positive changes for students as it relates to their financial matters."

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— Kimberly Brown, Northwestern University

To download a copy of Brown's dissertation, *Examining the Influence of Financial Literacy Education on Financial Decision-Making Among Graduate Level Health Professions Students*, visit <http://disexpress.umi.com/dxweb> and specify UMI Number: 3372749