

**President's Advisory Council on Financial Capability  
Research and Evaluation Subcommittee  
November 8, 2011**

Subcommittee Members:

Ted Beck (chairman), Rick Ketchum, John Rogers (ex-officio), Ken Wade

**Background**

This subcommittee is exploring several themes aimed at facilitating the identification of, and access to, effective financial education programs by policy makers and practitioners, improving the measurement and evaluation of financial education programs, and increasing access to research and evaluation resources.

**Update**

- Financial literacy research priorities:
  - The subcommittee reviewed the “Ten Recommended Research Priorities” developed by the Financial Literacy and Education Commission (FLEC) in 2008; then Ted Beck joined a working meeting convened by FLEC on September 20, 2011 to discuss those priorities and development of areas of research focus for the financial education community. Attendees identified three areas of focus: delivery and access; evaluation; and risk. Specific research topics will be forthcoming after review by the FLEC working group and others in attendance at the meeting.
- Research and evaluation standards:
  - After research and discussion of the need to develop consistent financial education program ratings, evaluation standards and research standards, the subcommittee is proposing two recommendations for consideration by the full President's Advisory Council on Financial Capability (Council). See Recommendations below.
- Data access and analysis:
  - After reviewing helpful sources of data relating to financial education initiatives, the subcommittee is proposing one recommendation for consideration by the full Council (see Recommendations below).
- Central repository of standards, ratings, tools and resources:
  - The subcommittee continues to work on a proposal to recommend development of a “Doing What Works” financial education website, modeled on the Department of Education's “Doing What Works” website (<http://dww.ed.gov>). Subcommittee members agree that development of research and evaluation standards should precede development of a specific repository, as the purpose of such a platform would focus on dissemination of best practices, common metrics and standards, results of the FINRA Investor Education Foundation-funded National Financial Capability Study, and other relevant content.

**Action Items**

The subcommittee proposes three recommendations for consideration and approval by the full Council.

**Recommendation #1:** To recommend that the Department of Treasury lead the development and dissemination of a core set of outcome metrics to help stakeholders assess the effectiveness of financial capability programs.

### **Background**

Practitioners and policy makers in the financial capability field face a basic challenge when trying to make decisions about what programs to use, scale up, discontinue or change—they often lack reliable information about the quality and effectiveness of various programs. Although helpful resources exist to guide stakeholders<sup>1</sup>, the field lacks a common set of outcome metrics, which limits the comparability of programs and makes it difficult to demonstrate the return on investment of financial capability programs.<sup>2</sup>

To address this challenge, the Research and Evaluation subcommittee recommends that Treasury collaborate with the FLEC to convene a working group of key stakeholders—including academics, evaluation professionals, practitioners and members of the non-profit and government communities—to develop a set of outcome metrics that can be used to evaluate and compare financial capability programs. The outcome metrics chosen should span a broad array of intended program goals, including changes in behavior, attitudes and knowledge. This effort along with a thorough assessment and consensus-building process will require additional resources.

The Research and Evaluation subcommittee believes that establishing and disseminating clearly articulated outcome metrics from a multi-disciplinary working group will increase the quantity and consistency of information on financial capability programs and, ultimately, improve the comparability of programs.

**Recommendation #2:** To recommend that the Department of Treasury support the development and publication of program evaluation and research standards tailored to the needs of the financial capability community.

### **Background**

High-quality research on the effectiveness of financial capability programs is essential for programs to improve and evolve. While some robust program evaluation research in financial capability exists, it is widely acknowledged that more and better studies are needed.<sup>3</sup> In addition, much of the program evaluation research to date has used descriptive methods that measure participants' financial literacy and behaviors before and after participation in a financial capability program. While descriptive studies can help program designers and practitioners better understand the strengths and weaknesses of their programs, they do not employ experimental (or quasi-experimental) techniques, and this limits the conclusions that can be

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<sup>1</sup> See the JumpStart Coalition Clearinghouse at <http://jumpstart.org/jumpStart-clearinghouse.html>.

<sup>2</sup> Choi, Laura, Carolina Reid, Michael Staten, and Richard Todd (2010). Improving Evaluation and Metrics in Youth Financial Education. Conference Proceedings.

<sup>3</sup> Collins, Michael J. (2009). Still Holding Out Promise: A Review of Financial Literacy Education and Financial Counseling Studies. A Report for the Annie E. Casey Foundation; Lyons, Angela C., Lance Palmer, Koralalage S U. Jayaratne, and Erik Scherpf (2006). Are we Making the Grade? A National Overview of Financial Education and Program Evaluation. *The Journal of Consumer Affairs*, Vol. 40, No. 2.

drawn from the research. Improving the quality and quantity of both descriptive studies and experimental evaluations would better enable financial capability stakeholders to assess financial capability programs and make informed, data-driven decisions.

To this end, the Research and Evaluation subcommittee recommends that Treasury promote the creation and publication of program evaluation standards for financial capability programs. The standards should increase the usefulness, fairness, and accuracy of evaluations, and they should include information on sound research design and analysis. In addition, the standards should cover issues relevant to stakeholders conducting descriptive evaluations as well as researchers conducting quasi- and full-experimental evaluations. The Joint Committee on Standards for Educational Evaluation publishes a program evaluation standards handbook that the financial capability community could use as a template (<http://www.jcsee.org/program-evaluation-standards>).

The Research and Evaluation subcommittee believes that developing program evaluation and research standards for descriptive and experimental evaluations will encourage enhanced levels of data collection and analysis in the field. In addition, it will improve the ability of stakeholders to identify effective programs and to evolve existing programs. We further believe that Treasury (working with the FLEC) is in a unique position to facilitate evaluation efforts by supporting the creation and dissemination of these standards and best practices. It is recognized that a high-quality effort to create and disseminate such standards will require additional, dedicated resources.

### **Recommendation #3:**

**To recommend that a second wave of the National Financial Capability Study (conducted by the FINRA Investor Education Foundation) be fielded in 2012 and that the Department of the Treasury and other relevant agencies consult on the development, fielding and dissemination of data from the Study.**

### **Background**

In 2008, the President's Advisory Council on Financial Literacy recommended the Department of the Treasury consult with the FINRA Investor Education Foundation and others to establish a baseline of the financial capability of U.S. adults by exploring how individuals manage their resources and make financial decisions.

The inaugural National Financial Capability Study was fielded in 2009 and consisted of three linked surveys—a National Survey, a State-by-State Survey and a Military Survey—that underscored the need to ensure that all Americans have access to the education, resources and tools they need to manage their money with confidence.

- A significant majority of Americans (60 percent) do not have a “rainy day” fund to cover three months of unanticipated financial emergencies.
- More than one in five Americans have engaged in some form of higher cost non-bank borrowing during the last five years, including taking out a payday loan or getting an advance on a tax refund.
- Young adults are most likely to lack an emergency savings fund, and they are significantly more likely to engage in non-bank borrowing.

The Research and Evaluation subcommittee believes that a second wave of the Study should be fielded. A follow-up study will permit researchers to identify trends and better understand the effects of financial literacy initiatives in the context of the economic turmoil experienced over the last several years and recent legislative changes. In addition, a second wave will permit researchers to add questions of timely interest and to oversample specific, vulnerable populations such as minorities, low income Americans and college students.

The FINRA Investor Education Foundation, chaired by Council member Rick Ketchum, plans to implement the National Financial Capability Study in 2012. The Research and Evaluation subcommittee believes that the Department of Treasury and other agencies have important contributions to make to the Study and should, therefore, consult on the project. Evidence generated from this important research will serve as an invaluable tool in advancing our understanding of financial capability in America.

More information about the National Financial Capability Study can be found at [www.finrafoundation.org/capability](http://www.finrafoundation.org/capability).