

Financial Education Research: What Works and What Doesn't?

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Overview

Effectiveness of financial education and training

Unexpected effects of financial literacy education

Predictors of positive financial behavior

New methods

Knowledge and Attitudes Versus Behaviors

Many financial literacy interventions use knowledge as an outcome measure

Knowledge change is, relatively, easy

Others use attitude changes

Real attitude change is hard, measured attitude change is less hard

Assumption was that these lead to behavior change

Effectiveness of Financial Education

Meta analysis

168 published papers

201 separate studies

How effective is financial education at changing behaviors?

Fernandes, Lynch, & Netemeyer (2013)

Financial education interventions accounted for **0.1%** of the variance in behaviors.

What Was Included?

Controlled experiments

Pre and post tests

Students, adults, low-income, higher-income

Workshops, seminars, courses, fliers

Voluntary and required

What Was Included?

Wide variety of behaviors

Debt

Investing

Saving

Planning

One Hour to 24 Hours of Instruction

Mean = 9.7 hours

Immediate to 24 months after Intervention

Mean = 11 months

Time Effects

Effects decayed significantly over time

No effect of 24 hours of instruction at 18 months

General Financial Knowledge

Meta analysis

Current financial knowledge

No intervention

General financial knowledge accounted for **1.8%** of the variance in behaviors.

Effect of Income

Financial education was even less effective at changing behavior for lower-income individuals

Financial knowledge was also less predictive of behavior

Opportunities, constraints, environmental effects

Why is financial literacy training ineffective?

Explicit vs. Implicit Attitudes

Explicit Attitudes – admitted, open

Implicit Attitudes – may not even know oneself

How to Measure Implicit Attitudes?

Implicit Association Test

Reaction time measure of implicit associations and attitudes

Greenwald, McGhee, & Schwartz (1998)

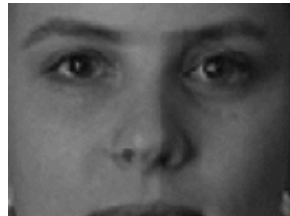
Good
Black American

Bad
White American



Good
White American

Bad
Black American



How to Measure Implicit Attitudes?

Used to study race, gender, obesity, and many others

Financial attitudes?

Greenwald, McGhee, & Schwartz (1998)

Good
Spend

Bad
Save

Purchase

Good
Save

Bad
Spend

Thrift

Spending/Saving IAT

Saving

Save

Thrift

Frugal

Budget

Economize

Good

Marvelous

Superb

Pleasure

Joyful

Wonderful

Spending

Spend

Buy

Purchase

Splurge

Shop

Bad

Horrible

Agony

Painful

Terrible

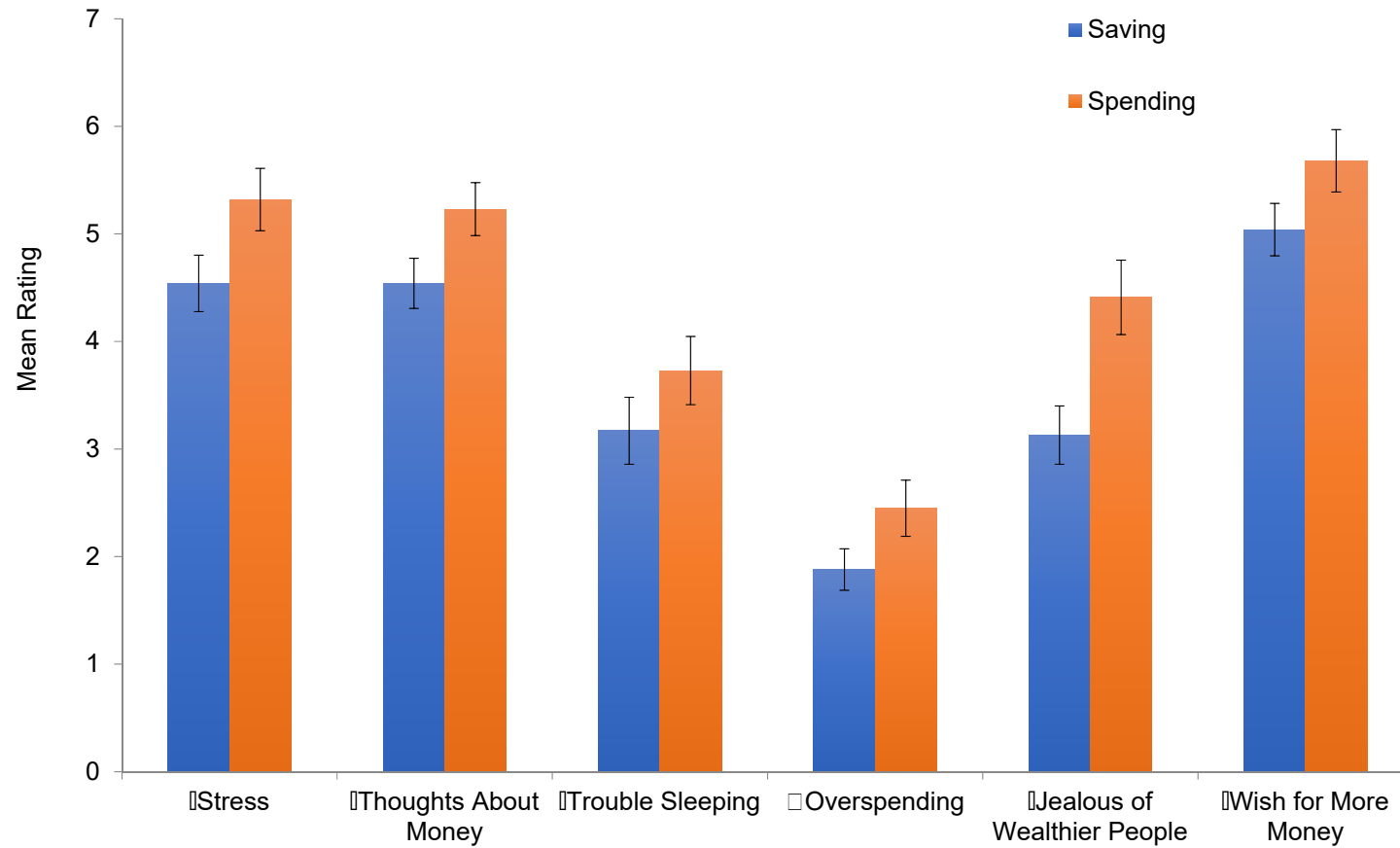
Awful

Study 1: Implicit Attitudes and Financial Stress

Completed Spending/Saving IAT

Completed a battery of financial health questions

Study 1: Results



Study 1: Results

Also significant differences on:

InCharge Financial Distress/Financial Well-Being Scale

Impulsive Buying Scale

Like/Dislike Savings

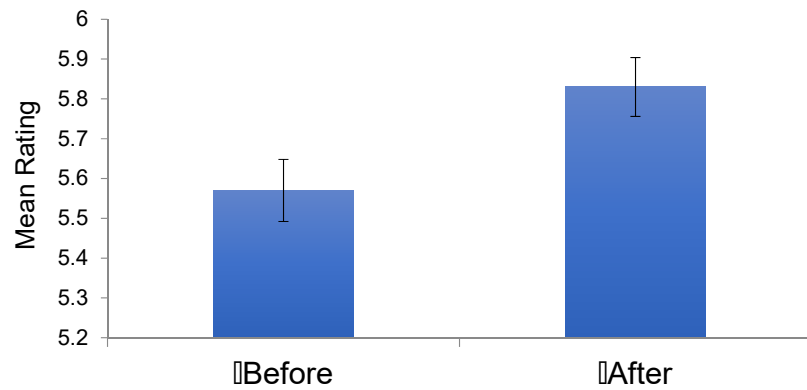
No significant differences in income or education

Study 2: Effects of Financial Literacy Training

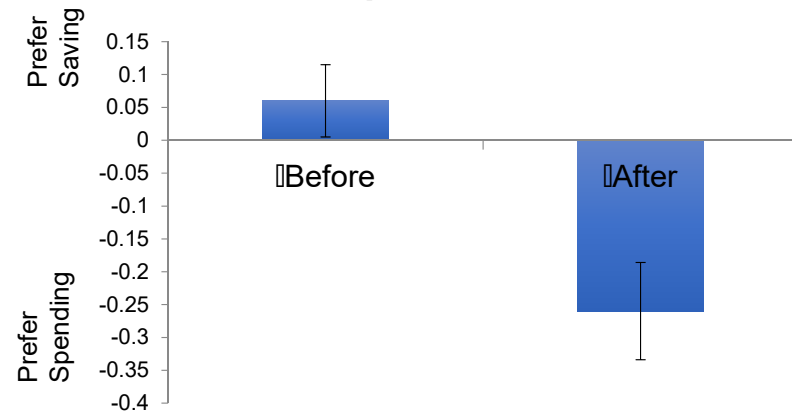
1. Spending/Saving IAT
2. Explicit Questions
3. Financial Literacy Training
4. Explicit Questions Repeated
5. Spending/Saving IAT Repeated

Study 2: Explicit vs. Implicit Attitudes

Explicit Attitudes



Implicit Attitudes



Study 3: Financial Literacy Training and Distressed Consumers

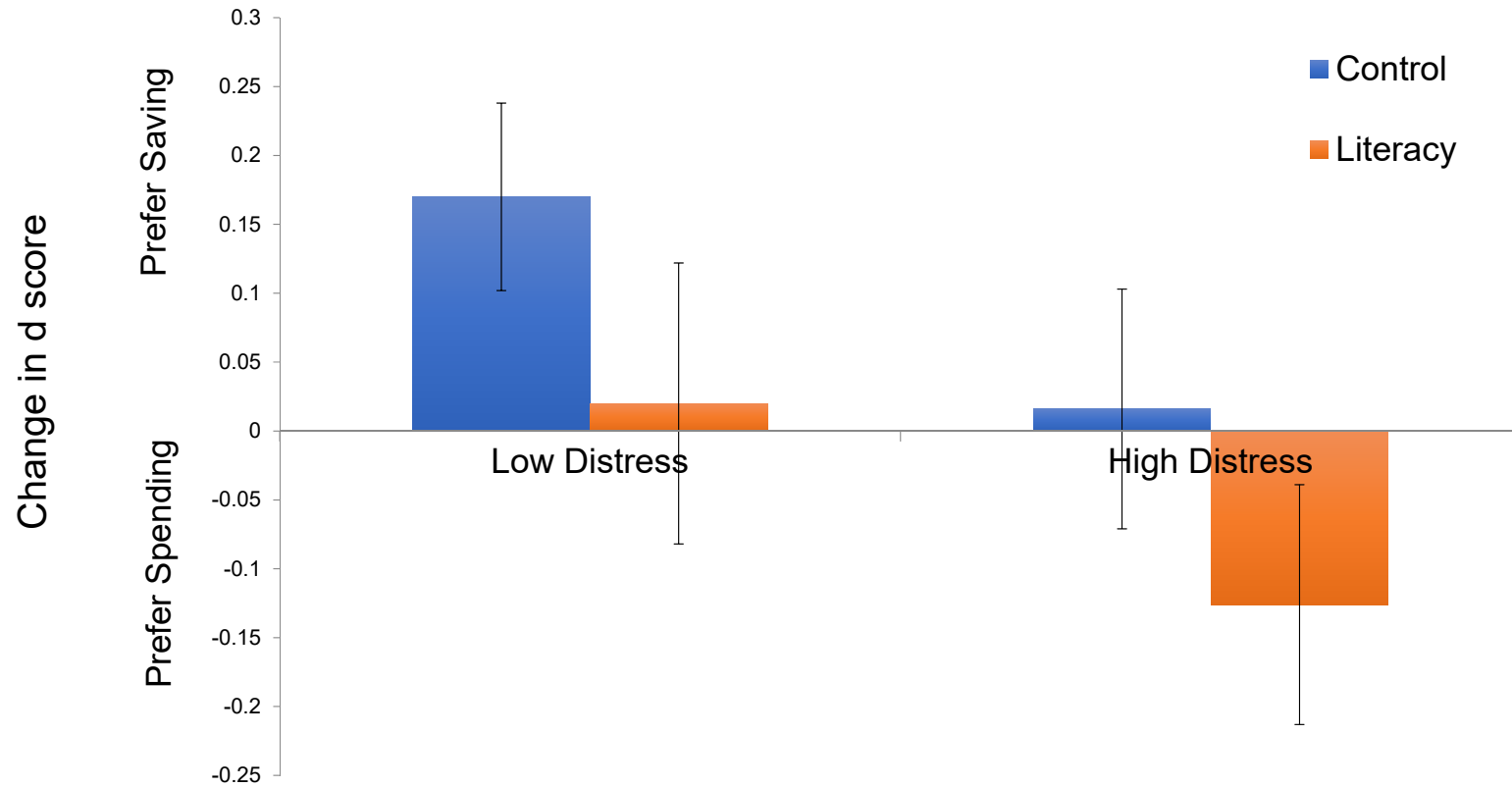
Repeated Spending/Saving IAT Design

Conditions

Control

Financial Literacy Training

Study 3: Results

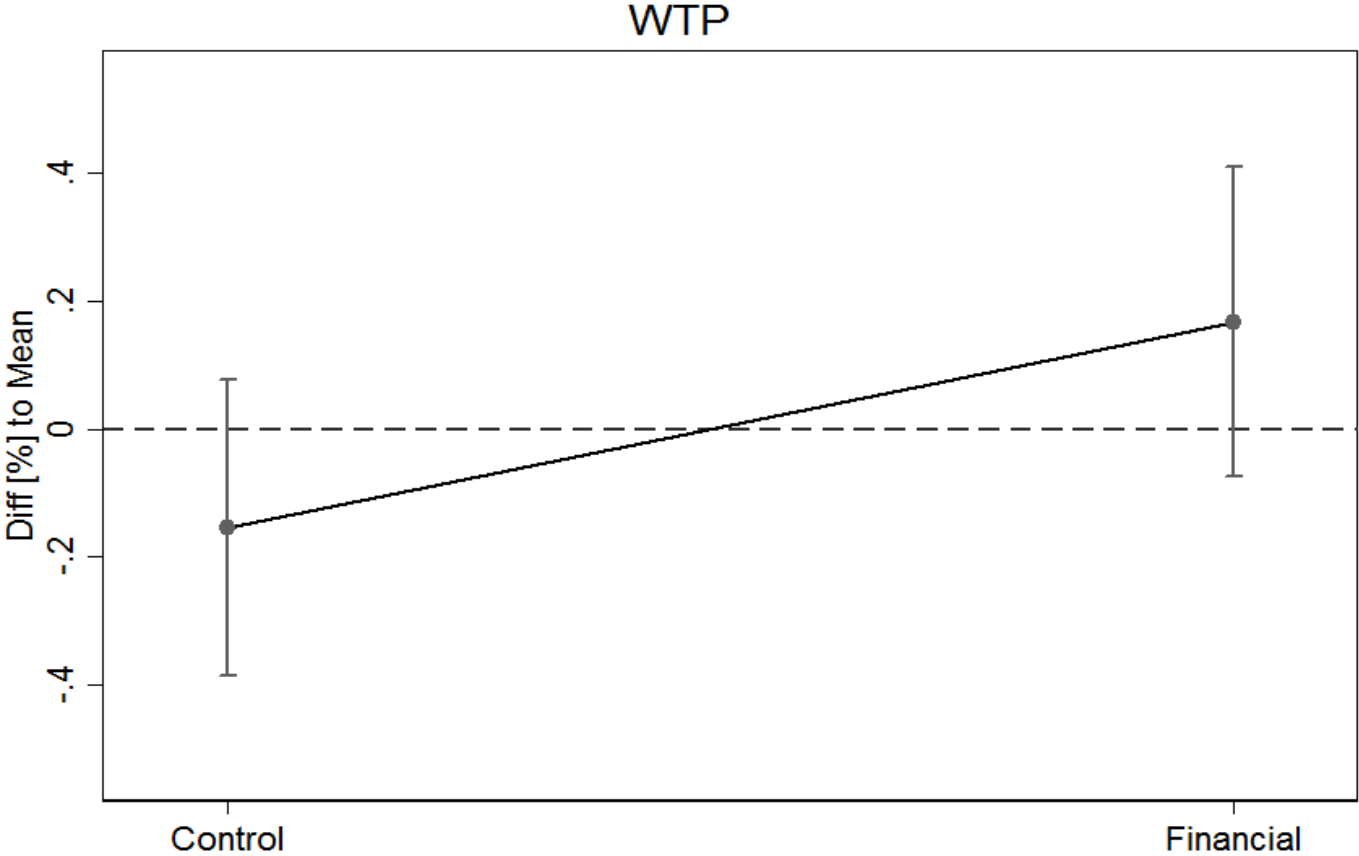


Study 4: Financial Literacy Training and Purchases

Read a control or financial literacy training

Interest in purchasing and willingness to pay for impulse items

Study 4 Results



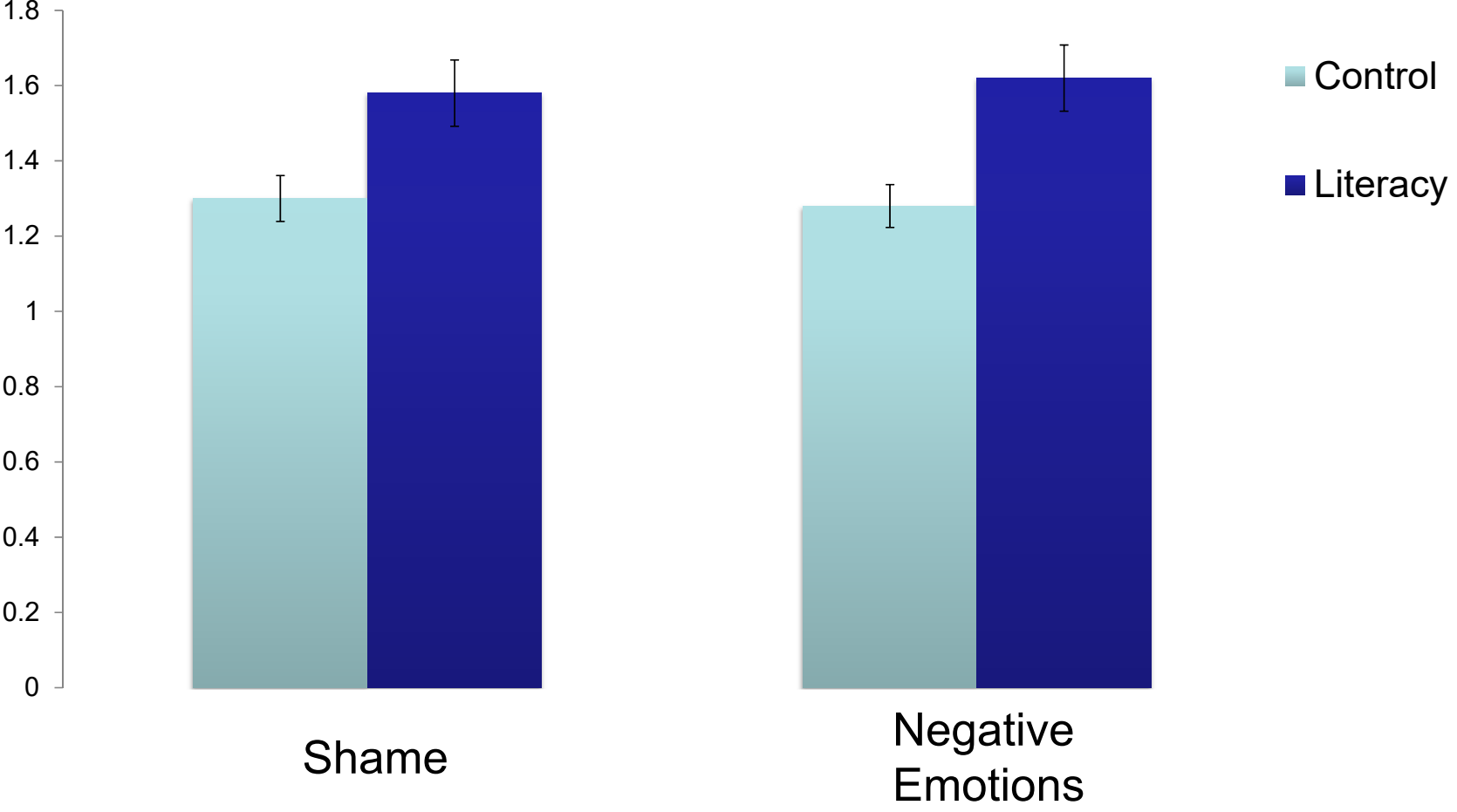
Study 5: Financial Literacy Training and Negative Emotions

Read a control reading from the California DMV or a piece from MyMoney.gov

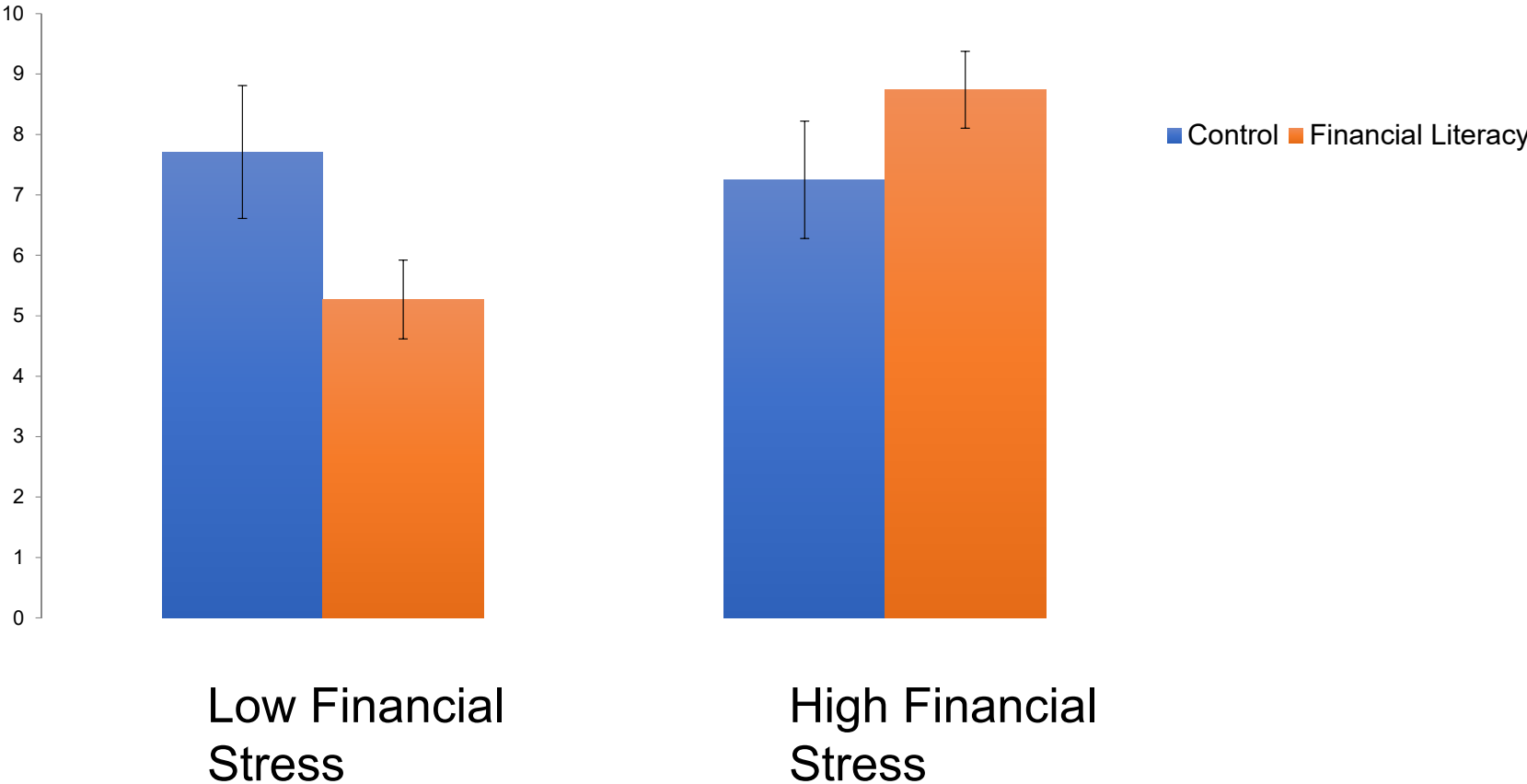
Shame scale

Positive and Negative Affect Scale (PANAS)

Study 5 Results



Study 5 Results



But, there is some good news!

Just-In-Time Education

One hour of instruction immediately = 12 hours of instruction after 10 months

Some evidence that effects may be larger for interventions immediately before behaviors

Also some suggestion of increased effectiveness at decision points

E.g. budgeting right before a new semester

Other Factors

Financial literacy is much less predictive when you include other factors

Propensity to plan

Confidence in financial information search

Willingness to take investment risks

Economic Locus of Control

Economic Locus of Control

Internal – belief that one can shape one's economic outcomes

External – belief that external forces are responsible for an individual's financial situation

Growing up with insecurity (economic, psychological, etc.) leads to external locus of control

Economic Locus of Control

Individuals with an internal locus of control are:

More likely to save money

Accumulate more savings overall

More likely to plan when under economic threat

How To Improve Locus of Control

Affirmation interventions

Increasing salience of effectiveness

Evidence from similar others (community members)

Humor

Humor increases engagement with and willingness to share videos about how to choose a credit card.

Humor doesn't decrease learning from financial literacy videos.

However, humor also doesn't prevent the boomerang effect of financial literacy training.

- In college students

- In videos about credit scores

Reactance and Avoidance

People avoid information inconsistent with their beliefs

Cognitive dissonance

People also avoid situations likely to induce negative affect

More negative information is often less effective

Reactance and Avoidance – What To Do?

Help people understand how they can be in this situation but still be responsible, good people

Emphasize positive, short-term outcomes

- Stress reduction

- More money for fun things

Don't try to provide all of the information at once

- Let the participant control the information flow

Ego Depletion (Self-Control)

Self-control is like a muscle – you can tire it out!

It is not domain specific

Being good in one area means you have less self-control for elsewhere

“Not enough time” is often code of “not enough self-control”

Ego Depletion – What To Do?

In the short term - snacks!

Helping in a seemingly unrelated area of life can free up resources to deal with financial issues

Making responsible financial choices easier (defaults, barriers to debt acquisition) can help circumvent self-control issues

Additional Strategies

Focus less of information, more on action items

Implementation intentions

Goal setting

Subgoals

Social norms

Going Forward

Traditional financial education is not effective at changing behaviors.

However, that doesn't mean these behaviors cannot be changed!

Providing the right training at the right time

There are other ways to provide financial education

- Sharing experiences

- Community support groups

- Maybe humor

Deal with financial skills indirectly (e.g. locus of control, propensity to plan)

Thank you!