

Enhancing the financial literacy of Wisconsin's youth



“I liked the openness to ask questions, the friendliness of the teachers and the clearness of the ideas.”

—Middle school student who took part in reality event

“It answered some questions I had and helped me to better understand how these things worked.”

—Student reality event participant

Situation

As Americans cope with the fallout from a worldwide economic downturn, the importance of personal financial literacy continues to grow. Understanding how to manage money and spend wisely, maintain good credit and save for the future are key to personal financial well-being, and essential in times of economic uncertainty.

Young people, in particular, urgently need basic financial survival skills. In 2006, the Wisconsin Department of Public Instruction estimated that 80% of state high school students held jobs and nearly one-third had credit cards in their own names.

Yet many young people—even those with jobs—are still unable to balance a checkbook or follow basic principles of earning, spending, saving and managing money. The Jump\$tart™ Coalition for Personal Financial Literacy reports that: “Many young people fail in the management of their first consumer credit experience, establish bad financial management

habits, and stumble through their lives learning by trial and error.” (<http://www.jumpstartcoalition.org/>)

Response

To help improve young people's financial literacy skills, University of Wisconsin-Extension family living educators work with state and community partners who are also concerned about financial literacy to develop and conduct programs that teach youth the fundamentals of good money management.

Studies have shown that an effective way for young people to learn about day-to-day economic decision-making is through “reality events”—simulations that mimic the real-life economic choices people face on a daily basis. Simulating a real environment arouses students' curiosity and problem-solving skills. And by doing, rather than simply listening, students find learning active and engaging.

Reality events are customized to fit the age and learning needs of students, as well as the interests of event partners, such as local banks, schools, businesses and community groups.

They have different names—*Reality Day*, *Youth Money Smart College*, *Reality Daze*, *Reality Fair*, *The Balancing Act*, *Mad City Money™*, and *Money Quest*—but all feature learning about money by modeling real-life scenarios.

Armed with simulated paychecks, mock checkbooks, debit and credit cards, “fate” and “reward” cards and other props, young people find themselves facing real-life challenges—sticking to a budget, resisting impulse buys and high-pressure sales pitches, dealing with unexpected expenses,



buying insurance, saving and investing their money. Adult volunteers live things up by enthusiastically stepping into the roles of loan officers, bankers, merchants, salespeople and credit counselors.

In 2008, family living educators and community partners in 18 counties conducted simulation-type reality events for middle school and high-school students around the state. Extension educators took on a variety of roles in these events, including coordinating the planning committees, handling publicity, recruiting and training volunteers, preparing materials, securing funding, evaluating the programs and participating in the events.

Young people's written comments after the reality events reflected their reactions to making some tough financial decisions. Here is a sampling of their comments:

- "It makes you realize it's not as easy as it seems."
- "It's a lot harder to get by than I thought."
- "You have to actually walk around and write checks, you can't get bored and you pay for your mistakes."
- "It answered some questions that I had and helped me to better understand how these things worked."

The adult volunteers from local banks and businesses, government agencies, schools and community groups provided the added benefits of intergenerational learning and offered the opportunity for youth to connect with local business leaders and services.

The benefits also extended to these volunteers, giving them the opportunity to interact with the students and to fulfill their service and personal interest goals. In the words of one volunteer, "I should pay you for letting me do this. It's just too much fun."

Outcomes

Family living educators continually evaluate the outcomes of their programming efforts—including reality events—to determine how well they are working. In 2007, a group of five family living educators involved in developing the simulations worked with an evaluation specialist to conduct a statewide outcome evaluation. Based on information compiled in 2008, they learned:

- Of the more than 500 students who completed a post-session survey, 88% rated the program as helpful or very helpful.
- The majority of youth participants reported changes in knowledge related to their understanding of the cost of buying on credit; what it feels like to pay bills; and the costs of living.
- Most said they had increased their knowledge of financial concepts such as checking vs. credit card accounts; saving vs. investing, the purpose of insurance; and the importance of saving.
- The largest numbers of high school students reported increased skills in being able to determine monthly financial needs; plan for unexpected expenses; and plan for charitable giving.
- Just over half of the high school students felt that they increased their skills in keeping track of credit card use, as well as spending and income.

- Nearly all of the respondents reported that the reality event increased their confidence in making decisions that deal with money; managing money in the "real" world; and setting goals to manage money.
- A nine-month follow-up evaluation with one participating school revealed that, of the students who did not do so before the event, 100% reported tracking their spending and comparing prices when they shopped—at least some of the time.
- Many expressed their desire to "plan" to avoid unnecessary spending, use a budget, track spending, save for future goals, adjust their spending to make ends meet, and get value for their money.

While reality events require time and resources to plan and implement, they appear to have a major impact on learning about financial management, helping to prepare youth for sound lifelong financial decision-making.

To read the entire report of the *Youth Financial Education Program Evaluation*, go to <http://www.uwex.edu/ces/pdande/evaluation/evalstudies.html>

For more information about University of Wisconsin-Extension Family Living financial education programs:

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