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Effective financial education: Five principles and how to use them

Consumer Financial Protection Bureau

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Executive summary

The CFPB works to ensure a fair, transparent, and reliable consumer financial marketplace. A fully functioning marketplace for consumer financial products and services also needs financially capable consumers who can navigate it. The CFPB views financial education as key to helping consumers develop this capability, so they can make the most of their circumstances and what the consumer financial marketplace has to offer, to successfully achieve their own financial and life goals.

Because of the key role that financial education can play in people's lives, the CFPB has conducted research over its first five years into what makes financial education effective for consumers. What do we mean by "effective?" It does not just mean training that helps people perform better on a test of financial facts. It means equipping consumers to understand the financial marketplace and make sound financial choices in pursuit of their life goals. It means helping consumers as they work to bridge the gap between their knowledge, their intentions, and the actions they take. It means deploying a wide range of strategies that help consumers to achieve the ultimate goal of financial education: financial well-being.

To that end, the CFPB has examined what financial well-being means to consumers, in their own words, for their own lives. We also created a rigorous way to measure it, and developed a model of what factors drive an individual's financial well-being.

What the research demonstrates is that there is no single right way to help adult consumers improve their financial decision-making skills and choices, just as there is no single right way everyone should conduct their financial lives. There are many approaches that work, reflecting the diversity of people's circumstances, opportunities, and aspirations. We have distilled from this research certain principles, or underlying factors, that can be put into practice through adult financial education to help drive financial action and well-being.[1] This report, *Effective financial education: Five principles and how to use them* (*Five principles for effective financial education*), reflects the CFPB's research as well as input from the field, presents the principles along with tested strategies, and highlights practitioners' tips for ways to put the principles into practice.

The five principles are described briefly below.

Principle 1: Know the individuals and families to be served

Different types of programs aimed at boosting financial well-being will be effective for consumers in different situations. This means that rather than adopting a one-size-fits-all approach, financial education programs should be matched to the specific circumstances, challenges, goals, and situational factors (discussed in Principle 5) of the people served. Tailoring programs in this way can make a meaningful difference for the individuals served through their actions and financial outcomes.

Principle 2: Provide actionable, relevant, and timely information

This principle recommends connecting consumers to knowledge in ways that stick. People are more likely to absorb information if it is connected to an upcoming decision that matters to them, at the time when they can put it to use, with concrete steps they can follow.

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[1] The CFPB also has focused on strategies for supporting the development of financial capability from early childhood through adolescence. For more information, see the CFPB's 2016 report, *Building blocks to help youth achieve financial capability: A new model and recommendations*, available at consumerfinance.gov/data-research/research-reports/building-blocks-help-youth-achieve-financial-capability/.

Principle 3: Improve key financial skills

To help consumers put financial knowledge to use, consumers also need to build financial skills. Key skills include knowing when and how to find reliable information to make financial decisions; knowing how to process information to make financial decisions; and knowing how to execute on financial decisions.

Principle 4: Build on motivation

Knowledge, skills, and opportunity do not necessarily lead to action when a person does not feel strongly that the action is important to take. In those circumstances, financial education can strengthen and reinforce personal attitudes that help people to stay motivated to pursue their financial goals. This can be done by supporting people to focus on their own standards and values rather than on external influences, persevere in the face of obstacles, and build confidence that they can achieve their financial goals.

Principle 5: Make it easy to make good decisions and follow-through

The situations we encounter can strongly influence our financial decisions and actions. This principle recommends making it easier for people to achieve their goals by considering situational factors in the program and product design process. By helping consumers learn to navigate and leverage the influences, or forces, at play within their surroundings, financial education can more effectively help consumers carry out their intentions.

These principles build on prior work done by leaders in the financial education field that have identified features of effective programs.[2] Drawn from the work of many organizations, the features listed below (and described in more detail in Appendix A) are essential to the value and success of financial education programs:

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[2] In developing the principles, the CFPB consulted financial education frameworks developed by a number of organizations, which include the Organisation for Economic Co-operation and Development (OECD), Institute for Financial Literacy, U. S. Department of the Treasury, National Endowment for Financial Education (NEFE), President's Advisory Council for Young Americans, and Accion International, among others.

- Remain unbiased
- Be accessible
- Be evidence-based
- Have quality standards
- Define and monitor success
- Be appropriate in duration
- Help learning stick by making instruction engaging and experiential

We offer these principles and features as a path forward for financial education, in its many different forms. They aim to help more consumers achieve their financial goals and financial well-being by helping those who help consumers build financial capability. The principles build on insights about how people make financial decisions, marshalled from many fields of study, and on what we have learned about consumers' own experiences in the financial marketplace.

The CFPB looks forward to continued innovation in the field of financial education, and continued testing of strategies for putting these principles into practice to support consumers in their financial lives.

Structure of this report

The introduction to *Five principles for effective financial education* (pages 7-15) summarizes the CFPB's prior research into the definition and drivers of financial well-being, and explains how this research forms the basis for the principles.

In the main section (pages 16-61), we lay out the five principles , explain each principle, and provide tested and promising strategies that financial educators can use to put the principles into practice.

In the brief closing section (pages 62-65), we discuss outcome and effectiveness measures that can be used across programs to identify and advance effectiveness in financial education.

This report includes links and references to third-party programs and approaches that have put the ideas reflected in the principles into practice. The CFPB does not endorse these third-party programs nor guarantee the accuracy of any information the third-party may present. There may be other programs or approaches that can also serve your needs.

1. Introduction

As people navigate the financial aspects of their lives, they face many choices and decisions. Because the market for financial products determines many of the financial options that people have, it is critical that consumers be able to make their financial choices in the context of a marketplace that is safe and transparent. But people's own decisions also matter, and affect their ability to achieve their life goals, attain financial peace of mind, and avoid pitfalls that can derail them.

The CFPB believes that the purpose of financial education should be to support consumers in making the decisions and taking the steps that help them achieve their own life goals. However, research has called into question the link between many forms of financial literacy efforts and ultimate consumer behavior.[3] For this reason, it is important to identify and promote financial education strategies that are effective in supporting decision-making that enables people to improve their financial well-being.

Every day, thousands of financial education practitioners help consumers in many different stages of life, and in many different contexts, to navigate a diverse set of financial challenges and opportunities. These financial education practitioners include counselors, educators, coaches, planners, and many others. The diversity of consumer needs and opportunities is reflected in the wide variety of approaches that fall under the category of adult financial education. For example, some educators provide information about money management or other financial topics in

[3] Daniel Fernandes, John G. Lynch, Jr., and Richard G. Netemeyer, *Financial Literacy, Financial Education, and Downstream Financial Behaviors,* Volume 60, Issue 8, Management Science, (2014) at pp. 1861-1883, available at http://pubsonline.informs.org/doi/pdf/10.1287/mnsc.2013.1849.

classrooms or online. Others offer shortcuts in the form of simple rules and guidelines. There are also coaches and counselors providing one-on-one education on a single issue of concern to their client. Such topics may include credit repair, budgeting, or buying a home. Many organizations use technology and communications to guide consumers as they make decisions around, for example, saving for retirement, credit card use and repayment, or managing spending. Additionally, financial products themselves can be structured as teaching tools or coupled with financial education. In the United States and around the world, emerging evidence is showing a variety of positive outcomes in specific circumstances.[4]

With such a broad range of approaches and objectives, it has been a challenge for financial educators serving adults to identify a single, consistent definition of success. There is growing consensus in the field that the ultimate and unifying goal of these diverse financial education efforts is to improve the financial well-being of people served.[5] This vision of effective financial education requires more than teaching factual knowledge. However, what does this vision really mean for efforts to help consumers improve their financial decision-making skills and choices?

Having conducted foundational research that resulted in a consumer-driven definition of financial well-being, the CFPB has focused more recently on identifying the knowledge, skills, and habits associated with financial capability and effective approaches to improving financial well-being. This report translates insights from this research and from the growing body of external research into a framework and actionable strategies for financial educators serving adult consumers.

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[4] Pooja Wagh, *Beyond the Classroom: Evidence on New Directions in Financial Education,* Innovations for Poverty Action Financial Inclusion Program Brief, (January 2017), available at https://www.poverty-action.org/publication/beyond-classroom-evidence-new-directions-financial-education.

[5] This growing consensus is reflected in the vision stated in "*Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 Update*," (2016) at p. 15, available at https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%202016%20Update.pdf ; It is further reflected in OECD's International Network on Financial Education (INFE) description of the ultimate goal of financial literacy as individual financial well-being found in "*Measuring Financial Literacy: Questionnaire and Guidance Notes for Conducting an Internationally Comparable Survey of Financial Literacy*," (2011) at p. 3, available at www.oecd.org/finance/financial-education/49319977.pdf.

The framework presented in this report is organized into five principles, or characteristics of programs, that can foster financial well-being by supporting sound financial decision-making and follow-through. Each principle describes a set of key drivers of financial action and well-being that can be influenced by financial education. Where available, the report provides examples of program strategies that have been studied and demonstrated to be effective. The report also provides recommendations from financial education practitioners, based on their experiences, on how to put the principles into practice.

1.1 Starting point: What is financial well-being?

In January 2015, the CFPB published a report that provided a definition of financial well-being and insights into the factors that likely influence it. The definition and insights were based on analysis of in-depth interviews with consumers and practitioners across the country, research from a number of academic disciplines, and consultations with leading financial education experts.[6] While the specific goals and vision of each person's ideal life varied widely among consumers interviewed, and people used varying words to describe it, the consistent definition of financial well-being that emerged from the research is a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in her financial future, and can make choices that allow her to enjoy life. In other words, people described financial well-being as a sense of both financial security and financial freedom, in the present moment and when considering one's future.

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[6] To learn more about the methodology used and results of the CFPB's financial well-being research, see "*Financial well-being: The goal of financial education*," (January 2015), available at consumerfinance.gov/data-research/research-reports/financial-well-being/.

The CFPB's research also identified multiple factors that may interact to influence an individual's level of financial well-being. These factors are depicted in Figure 1, below, and represent the foundation for the principles outlined in this report.

FIGURE 1: WHAT INFLUENCES FINANCIAL WELL-BEING?

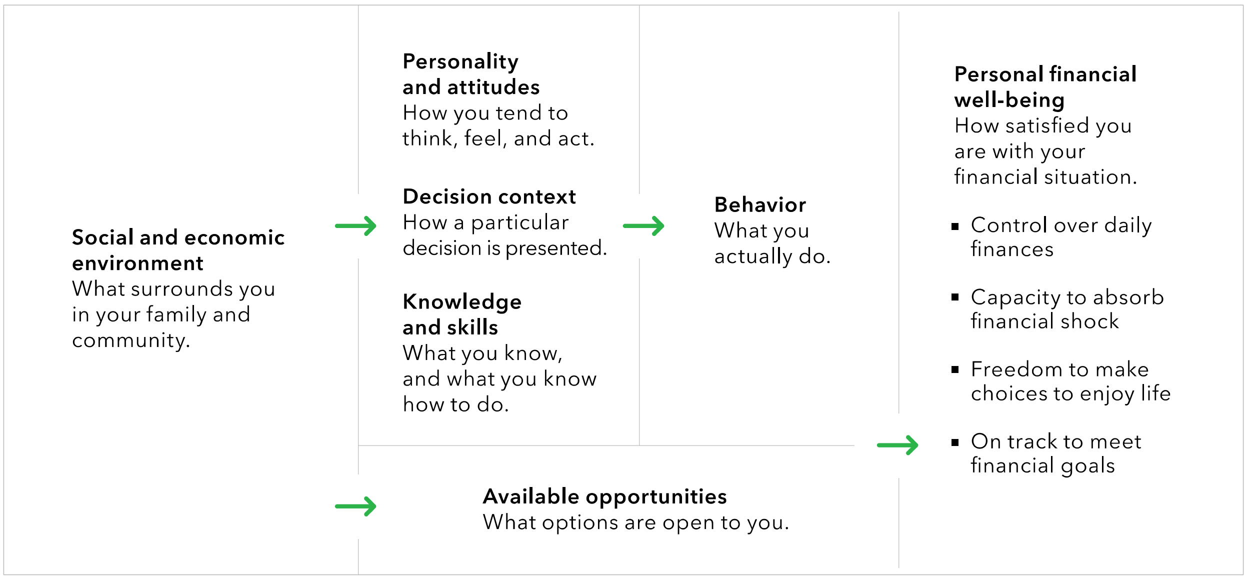

Figure 1 illustrates that financial well-being is determined by the combination of the opportunities available to a person, and his own actions or behavior. The model above illustrates the fundamental role of opportunity: situational and structural opportunities influence both behavior and the extent to which any action taken may affect a person's financial well-being. While such factors may not be subject to direct influence by financial education, they nonetheless are relevant to understanding the individuals and families to be served by financial education and to structuring educational approaches appropriately.

The CFPB's research points to four factors that influence a person's financial actions, given the set of opportunities available to them.

Knowledge: What you know

While knowledge is core to any education effort, our research suggests that the bridge from knowledge to action involves other factors, including those below.

Skills: What you know how to do

Key skills include knowing when and how to find reliable information to make financial decisions; knowing how to process information to make financial decisions; and knowing how to execute on financial decisions.

Personality and attitudes: How you tend to think, feel, and act

Our research found that adults with higher levels of financial well-being generally have certain personal characteristics and attitudes that allow them to stay motivated to pursue their financial goals. These include a tendency to make financial decisions in light of their own standards rather than in comparison to other people (internal frame of reference); impulse control and the ability to delay gratification in service of future rewards (perseverance in the face of obstacles); and belief in their ability to manage money and achieve financial goals (financial self-efficacy).

Decision context: How a decision is presented, and how you react to it

The manner in which a decision is presented and structured can make it easy — or hard — to make and follow-through on a particular choice.

THE IMPORTANCE OF THE SOCIAL AND ECONOMIC ENVIRONMENT AND AVAILABLE OPPORTUNITIES

The CFPB recognizes that people's available opportunities, including access to jobs, benefits, sufficient income, and family resources likely have a significant effect on their financial well-being. Furthermore, consumers with low or volatile incomes are less likely to have access to financial products and services that meet their needs and that could contribute to their financial stability.[7] They also may be less likely to be aware of the options that exist and their rights in connection with financial products and services. To address these disparities, the CFPB works to promote a more inclusive and fair financial marketplace. The CFPB also seeks to empower low-income and economically vulnerable consumers to make informed financial decisions through tailored approaches to providing tools and information. For more information, go to consumerfinance.gov/empowerment/.

The CFPB works both to level the playing field in the market through regulation, supervision, and enforcement, and to equip consumers, no matter what their circumstances, to navigate the marketplace and the financial choices they face in life.

1.2 The *Model of financial action*

To make these findings relevant for those supporting consumers in making real-world financial choices, we created a *Model of financial action* (Figure 2). This model shows how the drivers of financial well-being work together to support a particular course of action.

In order to undertake a specific action, especially one that is not habitual, a person needs certain factual information (knowledge), as well as understanding of how to take the action (skills). Knowledge and skills together become know-how, which can be thought of as a person's potential to act.

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7 Federal Deposit Insurance Corporation (FDIC), 2015 *National Survey of Unbanked and Underbanked Households*, (2015) at p. 17, available at https://www.fdic.gov/householdsurvey/ ; Theresa Schmall and Eva Wolkowitz, *2016 Financially Underserved Market Size Study*, Center for Financial Services Innovation, (2016) at p. 7, available at http://cfsinnovation.org/research/2016-financially-underserved-market-size-study/.

FIGURE 2: MODEL OF FINANCIAL ACTION

How is the potential to act realized? It requires two additional elements: motivation and opportunity. For example, a person might know it is important to exercise for better health and know how to exercise. However, that person might not follow-through with a regular exercise program because of a lack of motivation or because her specific circumstances make it hard to do, or some combination of the two.

Our research identified certain personal characteristics and attitudes related to motivation that can influence financial action: does the person feel, on a deeply personal level, that the outcome is so important that the action is worth taking despite the tradeoffs required? Does the person believe that he is capable of taking the action and achieving the goal? Can the person persevere despite setbacks and obstacles?

Often, opportunity holds the key to someone taking a specific action. The more the path is designed to help a person make and follow-through on choices that help her meet her goals, the less that person may need know-how and motivation to get to the same place. One component of opportunity is structural: does the person have access to whatever is needed to follow through with the action? A second, situational component of opportunity can be thought of as the decision context: how conducive is the situation to someone taking a specific action? Can the consumer learn to navigate the situation to improve her chance of success? Can the decisions and processes be adjusted or harnessed in service of the person's intentions? In short, how can the particular situation in which someone is making a decision affect the likelihood of achieving a specific goal?

1.3 Developing five principles from the *Model of financial action*

The five principles for effective financial education outlined in this report were derived from the financial well-being research and the *Model of financial action*.

The question the principles address is: given a set of existing opportunities, how can financial education give consumers greater determination over their own financial well-being? Situational and structural opportunities influence both behavior and the extent to which any action taken will affect a person's financial well-being. Even the best-designed financial education program cannot ensure that an individual achieves financial security and financial freedom if he lacks economic opportunity — such as access to jobs, benefits, sufficient income, and family resources — or access to safe and affordable financial products and services. That said, educational approaches are most effective if they take these opportunities — and barriers — into account, along with the other particular and unique challenges, goals, and circumstances of those being served.[8] This insight provides the basis for principle 1, knowing the individuals and families to be served.

[8] U.S. Department of the Treasury's Financial Literacy and Education Commission (FLEC), *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 update*, (2016) at p. 12, available at https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%202016%20Update.pdf.

The additional four principles presented in this report focus on the factors that financial education can address to help people make the best of their situation. The CFPB identified four such factors that influence financial well-being and underlie financial action — knowledge, skills, motivation, and decision context — which correspond to principles 2 through 5, respectively. Different programs with different objectives may focus on one or more of these principles to different degrees.

To further develop the principles, we scanned the growing body of financial education program evaluation and related research available to date. Based on this analysis, we identified programs and approaches that have put the ideas reflected in the principles into practice and have been demonstrated to be effective.

We also sought input from leaders in the financial education field, which we incorporated into the design of the principles. This included conversations with key stakeholders in the nonprofit, government, and private sectors engaged in financial education. Finally, through a convening of the CFPB Financial Education Exchange (CFPB FinEx), we invited financial education practitioners from around the country to provide feedback on the principles and to share other promising financial education strategies for putting the principles into practice.[9] This feedback is included in each section as applicable below and is fully detailed in Appendix B.

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[9] Approximately 120 financial educators attended the conference in person and an additional 60 participated remotely via webinar. The objective of CFPB FinEx is to promote three-way communication: the CFPB getting its tools and resources out to financial educators, financial educators sharing what is working in financial education practice with the CFPB, and financial educators learning from each other. The ultimate goal of CFPB FinEx is to help financial educators help the people they serve to build their financial well-being.

2. The principles: How financial capability programs can support financial well-being

There is no single right way to provide financial education for all consumers under all circumstances. However, based significantly on the research and input from the field described in the previous section, the CFPB has identified these five principles that together offer a holistic framework for the wide variety of financial education strategies aimed at boosting financial well-being for adults:

1. Know the individuals and families to be served
2. Provide actionable, relevant, and timely information
3. Improve key financial skills
4. Build on motivation
5. Make it easy to make good decisions and follow-through

Each of these five principles is described in greater detail in this part of the report. Three subsections follow the statement of each principle:

- *Key concepts and illustrative examples*: Key concepts along with examples that further clarify the principle.
- *What we know about what works*: Strategies that have put into practice the ideas reflected in the principle, and that have been tested and found to be effective.
- *Additional strategies from practitioners*: Other promising strategies for putting the principle into practice.

Where appropriate, we also provide information on related programs and resources.

While all of these principles are relevant to developing peoples' ability to take actions that improve their financial well-being, all financial education programs may not need to address all of the principles to be effective. In practice, financial education programs might focus on supporting one or a few of the factors depending on the particular needs of the people served. Depending on the organization's goals, available resources, and tools, an organization seeking to address these principles might also partner with other financial education or service providers that can complement its own initiatives.

The strategies for putting the principles into practice do not represent an exhaustive list. This report represents one step in what we hope is a collaborative work-in-progress with others in the field, including practitioners and researchers. Some of the ideas behind the principles are already common within the field of financial education while others reflect newer and emerging concepts. Practitioners are encouraged to explore strategies for applying the principles in their work in ways that fit their particular program design and the needs of the people they serve.

2.1 Know the individuals and families to be served

A growing body of research indicates that different types of programs aimed at boosting financial well-being will have different degrees of effectiveness for consumers in different situations.[11] This principle is fundamental to all financial education.

> Principle 1 recommends that financial education programs be matched to an individual's specific financial challenges, goals, and circumstances, rather than adopting a one-size-fits-all approach.[10]

Implementing this principle entails learning about the challenges consumers face in their social and economic environments, together with their goals and available opportunities, with two implications. First, because some drivers of financial well-

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[10] Annamaria Lusardi, Robert L. Clark, Jonathan Fox, John Grable, and Ed Taylor, *Promising Learning Strategies, Interventions, and Delivery Methods in Financial Literacy Education: What Techniques, Venues, Tactics, Mechanisms, Etc., Show the Most Promise to Promote and Achieve Financial Well-being?*, National Endowment for Financial Education's The Quarter Century Project, (2011) at pp. 31-32, available at www.nefe.org/Portals/0/WhatWeProvide/PrimaryResearch/PDF/TheQtrCenturyProject_Theme1.pdf; Fenella Carpena, Shawn Cole, Jeremy Shapiro, and Bilal Zia, *The ABCs of Financial Education: Experimental Evidence on Attitudes, Behavior, and Cognitive Biases*, World Bank Group Policy Research Working Paper 7413, (September 2015) at p. 6, available at documents.worldbank.org/curated/en/633221467993160732/The-ABCs-of-financial-education-experimental-evidence-on-attitudes-behavior-and-cognitive-biases; William Walstad, Carly Urban, Carlos J. Asarta, Elizabeth Breitbach, William Bosshardt, Julie Heath, Barbara O'Neill, Jamie Wagner, and Jing Jian Xiao, *Perspectives on Evaluation in Financial Education: Landscape, Issues, and Studies*, The Journal Of Economic Education, Volume 48, Issue 2, (2017) at pp. 93-112, available at http://dx.doi.org/10.1080/00220485.2017.1285738.

[11] U.S. Department of the Treasury's Financial Literacy and Education Commission (FLEC), *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 Update*, (2016) at p. 10, available at https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%202016%20Update.pdf; Tim Kaiser and Lukas Menkhoff, *Does Financial Education Impact Financial Literacy and Financial Behavior, and If So, When?*, German Institute for Economic Research, (May 2017), available at www.diw.de/documents/publikationen/73/diw_01.c.529454.de/dp1562.pdf.

being cannot be addressed by financial education, it is important to have appropriate expectations about the potential impact of an education effort. Second, assessment of these external factors should form the basis for tailoring training accordingly, or, when called for, making referrals.

2.1.1 Key concepts and illustrative examples

Assessment tools

One way practitioners can get to know the needs of the people they are seeking to serve is by using a tool to assess their challenges, goals, opportunities, and barriers to taking action. The model of financial action, discussed on page 12, above, can provide a framework for developing this assessment. For example, start by considering the following:

- *What type of information gap is there?* How can the information provided be linked to the required action or to the desired financial goal?
- *What skills are required?* Do the people served need to know more about how to perform a certain task? Do individuals know how to take the steps needed to achieve the desired financial goal?
- *Are motivational supports needed?* Do participants feel confident enough to take the necessary steps? Do they believe that doing these things can make a difference? Do they need support in carrying out their intentions?
- *Do individuals have the opportunity to apply their knowledge and skills?* What, if any, steps can be taken to improve how conducive the environment they encounter is to applying their knowledge and skills?
- *Are there barriers to success outside the person's control or the scope of financial education, even with ample knowledge, skill, and intention?* Given these realities, what can be accomplished through financial education? Does a participant need referral to other services? If so, where can those services be found?

Financial Well-Being Scale

Another way to understand the state of financial well-being of the people you are seeking to serve is by using the *CFPB's Financial Well-Being Scale*. The scale can be used to assess how secure and satisfied individuals are with their financial situation and the way they are managing their money, and establish a baseline understanding of their current financial well-being. See the related programs and resources at the end of this section for more information.

2.1.2 What we know about what works

Below are summaries of some studies that provide evidence of effective ways to put this principle into practice.

Starting with a needs assessment can lead to better results

- One workplace financial education program used a pretest to assess the needs of employees at the outset of the program, and adapted the program content to their identified needs and interests. The program succeeded in increasing the likelihood of starting or updating a budget, increasing retirement contributions, and decreasing negative financial behaviors (for example, late bill payment) for those in the pretest group relative to those in a comparison group of employees who did not participate in the program.[12]

- The need to tailor training to the characteristics and needs of participants at a fair level of specificity is illustrated in another study of 163 low-income consumers who voluntarily participated in a financial education program. Researchers found that certain subgroups of participants benefited more than others from the same program, based on characteristics including gender, race, English language proficiency, education levels, and financial experiences. These outcome differences also correlated with differences in

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[12] Aimee D. Prawitz and Judith Cohart, *Workplace Financial Education Facilitates Improvement in Personal Financial Behaviors*, Volume 25, Issue 1, Journal of Financial Counseling and Planning, (2014) at pp. 5-26. A summary of this study can also be found at the Financial Capability for the U.K. website, available at www.fincap.org.uk/document/VNoCgigAACgA4HpR/money-management-internationals-workplace-financial-education.

knowledge levels demonstrated by these subgroups in pre-training tests.[13] One implication is that education needs vary among consumers, even those of similar economic status, and that training can be better tailored to the baseline characteristics and needs of the participants.

Personalized approaches can be powerful

- Financial coaching offers customized financial education through one-on-one sessions where clients set and manage goals and design concrete plans of action.[14] Coaches adapt their approach depending on the needs and strengths of each individual, framing desired financial choices and behaviors in terms of the client's standards, goals, and personal strengths.[15] A rigorous evaluation of financial coaching programs contracted for the CFPB found that coaching had positive results, helping differently situated individuals improve their financial well-being in different ways based on their particular financial needs and goals.[16]

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[13] Min Zhan, Steven G. Anderson, and Jeff Scott, *Financial Knowledge of the Low-income Population: Effects of a Financial Education Program*, Volume 33, Issue 1, Journal of Sociology and Social Welfare, (March 2006) at pp. 53-74, available at scholarworks.wmich.edu/jssw/vol33/iss1/4.

[14] Theodos Brett, Margaret Simms, Mark Treskon, Christina Stacy, Rachel Brash, Dina Emam, Rebecca Daniels, and Juan Collazos, *An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs*, Urban Institute, (October 2015), available at www.urban.org/sites/default/files/alfresco/publication-pdfs/2000448-An-Evaluation-of-the-Impacts-and-Implementation-Approaches-of-Financial-Coaching-Programs.pdf.

[15] J. Michael Collins, Leah Gjertson, and Collin O'Rourke, *MyBudgetCoach Pilot Study: Summary of Findings*, University of Wisconsin-Madison Center for Financial Security, (June 2016), available at centerforfinancialsecurity.files.wordpress.com/2016/06/mybc_brief_june20161.pdf.

[16] For more information, see the CFPB's 2016 research brief, *Financial coaching: A strategy to improve financial well-being*, (October 2016), available at www.consumerfinance.gov/data-research/research-reports/financial-coaching-strategy-improve-financial-well-being/.

- In a Chilean experiment, consumers shown personalized information about pension contributions and payouts were more likely to make and increase their contributions than those shown a generic example.[17]

2.1.3 Additional strategies from practitioners

Below are other promising strategies for putting this principle into practice, suggested by financial education practitioners at a convening of the CFPB FinEx. The strategies presented here are the most commonly recommended; for the full list, see Appendix B.

FOCUS ON CLIENT-DRIVEN GOALS

Frame strategies around the financial goals of the people served and support them in developing a roadmap to reach them. Avoid dictating a predetermined approach or path, or being driven by an agenda determined by external factors.

LISTEN

In one-on-one engagements, practice active listening. Ask the people you are seeking to serve about their life and their financial goals by asking open-ended questions and listening to their concerns. In larger scale programs, learn about the target audience's needs and circumstances, and build that understanding into the solution.

AVOID JUDGMENT

Avoid preconceived notions and respect peoples' financial situation and goals. For groups, be cognizant of diverse audiences.

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[17] Pooja Wagh, *Beyond the Classroom: Evidence on New Directions in Financial Education,* Innovations for Poverty Action, (January 2017), available at www.poverty-action.org/sites/default/files/publications/Beyond-the-Classroom-Financial-Education-Brief.pdf.

CONNECT WITH THE INDIVIDUALS SERVED

Take time to build a connection with participants by asking them about themselves, listening to personal stories, and using language that is jargon-free. Seek to understand why and how they are making financial choices.

BE EMPATHETIC

Look at each person as whole and not as someone who needs to be fixed; put yourself in the shoes of the individual to understand without judging her perspective and circumstances.

2.1.4 Related programs and resources

Below are some examples of resources that can help practitioners put this printiciple into practice.

Resource	About the resource
CFPB's resource *Measuring financial well-being: A guide to using the CFPB Financial Well-Being Scale,* available at consumerfinance.gov/data-research/research-reports/financial-well-being-scale/	The CFPB's Financial Well-Being Scale provides practitioners and researchers with a standardized and reliable way of measuring financial well-being. The scale is designed to allow users to quantify the extent to which someone's financial situation and the financial capability that they have developed provide them with security and freedom of choice. This guide provides information about the scale and how to use it.
The Money Advice Service, Closing the Savings Gap- Insights from Research, available at moneyadviceservice.org.uk/en/corporate/research	To improve savings behavior, the Money Advice Service of the Financial Capability Strategy for the United Kingdom used survey data to develop five distinct saver types or profiles and to identify factors that drive saving behavior of each. One interesting finding is that people can change types as their life circumstances change. The factors and approach may be informative to programs seeking to understand and improve savings behavior.

Building Financial Capability: A Planning Guide for Integrated Services, available at acf.hhs.gov/ocs/resource/afi-resource-guide-building-financial-capability	In its step-by-step guide to help community-based organizations incorporate financial education into existing programs, the U.S. Department of Health and Human Services, Administration for Children and Families, begins by walking organizations through the process of developing an understanding of individuals' financial circumstances and which services can best help the people being served reach financial goals.
CFPB's *Your Money, Your Goals*: *A financial empowerment toolkit* available at consumerfinance.gov/f/201407_cfpb_your-money-your-goals_referral-guide.pdf	Is a set of financial empowerment materials for organizations that help people meet their financial goals. Program providers can build an inventory of services and resources available in their community, or online, that can support the individuals served in aspects of financial decision-making not covered by the particular program. There are different ways in which this inventory can be built, such as the creation of a resource and referral network. *Your Money, Your Goals* materials include a guide for how to build a resource and referral network.
CFPB's issue brief, *Financial education programs serving immigrant populations,* available at https://www.consumerfinance.gov/data-research/research-reports/financial-education-programs-serving-immigrant-populations/	This report examines the unique challenges that immigrants, and financial educators trying to serve them, face in navigating the U.S. financial system. The strategies to help address these challenges are as diverse as the immigrant population. These challenges may relate to issues caused by socioeconomic status, unfamiliarity with the financial system, citizenship status, or lack of English language proficiency, among others. The report includes a field scan of promising approaches.

2.2 Provide actionable, relevant, and timely information

Developing people's knowledge is a key aspect of education. This principle addresses the core challenge facing many forms of education: how to deliver information in a way that translates into knowledge that improves real life decisions and actions, not just performance on a test. The type of information that is delivered, and the manner and timing of its delivery, can be critical.[18]

> Principle 2 is about delivering education in a way that helps it stick, and recommends connecting consumers to information that is actionable, relevant, and timely.

In addition to being more effective education, this approach helps because people may be more likely to show up for programs that offer content that is directly applicable and useful in their lives.

2.2.1 Key concepts and illustrative examples

It is generally accepted that knowledge of financial facts, concepts and consumer rights can help consumers better navigate the market for consumer financial products and services. While it may be hard for any one consumer to have command of all financial topics, financial facts and concepts can be made more concrete by teaching them at a time when they are relevant to

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[18] Daniel Fernandes, John G. Lynch, Jr., and Richard G. Netemeyer, *Financial Literacy, Financial Education, and Downstream Financial Behaviors,* Volume 60, Issue 8, Management Science, (2014) at pp. 1861-1883, available at http://pubsonline.informs.org/doi/pdf/10.1287/mnsc.2013.1849; Fenella Carpena, Shawn Cole, Jeremy Shapiro, and Bilal Zia, *The ABCs of Financial Education: Experimental Evidence on Attitudes, Behavior, and Cognitive Biases*, World Bank Policy Research Working Paper 7413, (September 2015) at p. 6, available at documents.worldbank.org/curated/en/633221467993160732/The-ABCs-of-financial-education-experimental-evidence-on-attitudes-behavior-and-cognitive-biases; This concept is additionally promoted in: Parzick Romy and Rachel Schneider, *Compass Principles: Guiding Excellence in Financial Services*, Center for Financial Services Innovation, (2012), available at http://cfsinnovation.org/research/compass-principles-guiding-excellence-in-financial-services/

people and can be acted on in the near future. We examine each of these elements — actionable, relevant, and timely — recognizing that they are interrelated.

Actionable

Information delivered to consumers is most effective when it is highly actionable, including concrete steps needed to take to achieve their goals.[19] People are more likely to take action if the specific steps to take are clear.

Relevant

People are more likely to pay attention to information if it is directly applicable to a decision or goal they care about. For example, they may better absorb information about budgeting or interest rates in a course for first-time homebuyers when they are working toward buying a house, than they would be if the same information were presented in another context or at a different time. This concept focuses on leveraging what is important to the people being served. Workplace financial education is a prime example, as saving for retirement is a salient issue for those with steady employment. A recent study evaluated the effects of randomly assigning access to an online financial education course focused on retirement savings to employees of many credit unions. The study found that access to the online course increased employees' levels of self-reported financial knowledge, as well as their actual retirement deferrals.[20] Given that the education provided information around topics that were timely and relevant for employees, these employees were able to make actionable changes to their savings.

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[19] Annamaria Lusardi, Punam Anand Keller, and Adam Keller, *New Ways to Make People Save: A Social Marketing Approach*, in Annamaria Lusardi (Ed.) *Overcoming the Savings Slump: How to Increase the Effectiveness of Financial Education and Savings Programs*, University of Chicago Press, (2009), available at http://chicago.universitypressscholarship.com/view/10.7208/chicago/9780226497105.001.0001/upso-9780226497099.

[20] J. Michael Collins and Carly Urban, *The Role of Information on Retirement Planning: Evidence From a Field Study*, Volume 54, Issue 4, Economic Inquiry, (2016) at pp. 1860–1872, available at http://onlinelibrary.wiley.com/doi/10.1111/ecin.12349/full.

Timely

People have a better chance of acting on information if it is still fresh in their minds. Researchers recommend that: “There must be some immediate opportunity to enact and put to use knowledge ... [W]ithout a ready expected use in the near future, motivation to learn and to elaborate may suffer.”[21] One solution is to offer just-in-time financial education — information that is delivered close to the time when it needs to be implemented. Further, educational techniques such as providing frequent, low-stakes feedback, experiential learning opportunities, and rules-based mental shortcuts can help people better absorb new learnings.[22]

It is important to note that providing situation-specific information works better if people have a good grasp of the basics of personal finance.[23] Ideally, people start developing this knowledge and related skills early in life, and continue to develop them as they grow.[24] However, many adults come to financial decisions without knowing the basics, and without the time to build foundational knowledge and skills before they have to make a particular decision.[25] Financial

[21] Daniel Fernandes, John G. Lynch, Jr., and Richard G. Netemeyer, *Financial Literacy, Financial Education, and Downstream Financial Behaviors*, Volume 60, Issue 8, Management Science, (2014) at pp. 1861-1883, available at http://pubsonline.informs.org/doi/pdf/10.1287/mnsc.2013.1849.

[22] Stephen J. Hoch and George F. Loewenstein, *Outcome Feedback: Hindsight and Information*, Volume 15, Issue 4, Journal of Experimental Psychology: Learning, Memory and Cognition, (July 1989) at pp. 605-619, available at http://dx.doi.org/10.1037/0278-7393.15.4.605; Vincent Tinto, *Enhancing Student Success: Taking the Classroom Success Seriously*, Volume 3, Issue 1, The International Journal of the First Year in Higher Education, (March 2012) at pp. 1-8, available at fyhejournal.com/article/view/119.

[23] The *Arizona Pathways to Life Success for University Students* (APLUS) Project is a longitudinal study that followed a sample of young adults through their college years and beyond, tracking the main factors in determining their financial behaviors. APLUS has found strong evidence demonstrating the importance of early and repeated financial education in building healthy financial behaviors. More information is available at aplus.arizona.edu/.

[24] Consumer Financial Protection Bureau (CFPB), *Building Blocks to Help Youth Achieve Financial Capability: A New Model and Recommendations*, (September 2016), available at consumerfinance.gov/data-research/research-reports/building-blocks-help-youth-achieve-financial-capability/.

[25] Annamaria Lusardi, Noemi Oggero, and Paul J. Yakoboski, *The TIAA Institute-GFLEC Personal Finance Index: A New Measure of Financial Literacy*, TIAA Institute, (March 2017), available at https://www.tiaainstitute.org/about/news/personal-finance-index.

educators can take advantage of decision-making moments and apply Principle 2 to teaching the basics in a way that is relevant to people's immediate goals and situation.[26] A family seeking to buy a home may be most interested in learning about budgeting, interest rates, and credit scores. An individual or a couple nearing retirement may want to learn how to compare annuities to lump sum withdrawals. Young adults first engaging with our financial system might find the most basic information to be the most relevant, and might not be ready to absorb details about more complex decisions that are not yet part of their financial lives.

2.2.2 What we know about what works

Below are summaries of some studies that provide evidence of effective ways to put this principle into practice.

Housing counseling

As an example of how providing relevant and timely financial information can help consumers, housing counselors provide consumers with information about homebuying, such as mortgages, interest rates, and repayment options, at the time they are contemplating buying a home, or when they are at risk of losing a home. Studies indicate that this counseling can effectively support sustained homeownership.[27] We highlight some of these studies below:

- Two separate studies used matched comparison groups and tracked payments on mortgage loans under very different market conditions (2007-2009 and 2010-2012). Both studies found that borrowers who received pre-purchase mortgage counseling from the NeighborWorks® America's network of counseling agencies were significantly less likely to become seriously delinquent during the period studied than a matched

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[26] Tim Kaiser and Lukas Menkhoff, *Does Financial Education Impact Financial Literacy and Financial Behavior, and If So, When?*, German Institute for Economic Research, (May 2017), available at www.diw.de/documents/publikationen/73/diw_01.c.529454.de/dp1562.pdf.

[27] Marina L. Myhre and Nicole Elsasser Watson, *Housing Counseling Works*, U.S. Department of Housing and Urban Development: Office of Policy Development and Research, (May 2016) at p. 2, available at www.hudexchange.info/resources/documents/Housing-Counseling-Works.pdf.

comparison group of similar borrowers who did not receive pre-purchase counseling.[28] These studies suggest positive benefits of the education and counseling services provided under a range of market conditions.

- Early results from a rigorous, randomized control study of pre-purchase housing counseling shed additional light on how pre-purchase counseling may affect borrower behavior. In a sample comprising the first group of enrollees in the program, those borrowers who received homebuyer education and counseling scored slightly better than the control group on mortgage literacy questions, had a slightly higher likelihood of having a better credit score, and were about 10 percent more likely to report they would contact their lender for assistance before missing a mortgage payment. While it is still early in the study, these metrics suggest that education and counseling can positively affect knowledge, actions, and attitudes in ways that could lead to improved long-term homeownership outcomes.[29]

- A randomized field experiment for first-time homebuyers showed that those required to complete a financial planning education module and subsequently received contact from a financial coach missed fewer mortgage payments and were less likely to fall behind on

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[28] Wei Li, Bing Bai, Laurie Goodman, and Jun Zhu, *NeighborWorks America's Homeownership Education and Counseling: Who Receives It and Is It Effective?*, Urban Institute Research Report, (September 2016), available at http://www.urban.org/research/publication/neighborworks-americas-homeownership-education-and-counseling-who-receives-it-and-it-effective.; Neil S. Mayer and Kenneth Temkin, *Prepurchase Counseling Effects on Mortgage Performance: Empirical Analysis of Neighborworks@ America's Experience,* Volume 18, Number 2, Cityscape: A Journal of Policy Development and Research, U.S. Department of Housing and Urban Development: Office of Policy Development and Research, (2016) at pp. 73-98, available at https://www.huduser.gov/portal/periodicals/cityscpe/vol18num2/ch4.pdf.

[29] Donna DeMarco, Nichole Fiore, Debbie Gruenstein Bocian, Shawn Moulton, Laura Peck, and Abt Associates Inc., *The First-Time Homebuyer Education and Counseling Demonstration: Early Insights*, U.S. Department of Housing and Urban Development: Office of Policy Development and Research, (June 2016), available at https://www.huduser.gov/portal/publications/first-homebuyer-early-insights.html.

their mortgage payments than borrowers who were not assigned to the financial planning education and coach.[30]

- Post-purchase mortgage default counseling also has shown positive effects. In an evaluation of a national counseling program aimed at preventing foreclosure, researchers found that struggling borrowers who received housing counseling were more likely to receive a loan modification and to keep their homes than a matched comparison group of similar non-counseled borrowers.[31]

Using technology

Relevant and actionable information can be delivered in a timely fashion through new technologies.

- A study evaluated the impact of a text messaging campaign aimed at decreasing the proportion of students planning to go to college that never actually enroll in the fall. College-intending high school graduates and their parents received text message reminders of campus-specific college-related tasks, timed for delivery near each task's deadline. The campaigns increased college enrollment, with effects concentrated among students with little access to college planning supports and with less-developed college plans.[32] These findings suggest that the complexity of the process, which seems to

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[30] Stephanie Moulton, J. Michael Collins, Cäzilia Loibl, and Anya Samek, *Effects of Monitoring on Mortgage Delinquency: Evidence From a Randomized Field Survey*, Volume 34, Issue 1, Journal of Policy Analysis and Management, (2015) at pp. 184–207, available at http://onlinelibrary.wiley.com/doi/10.1002/pam.21809/pdf.

[31] Kenneth M. Temkin, Neil S. Mayer, Charles A. Calhoun, and Peter A. Tatian, *National Foreclosure Mitigation Counseling Program Evaluation: Final Report, Rounds 3 through 5*, prepared for NeighborWorks® America, The Urban Institute, (September 2014), available at http://www.neighborworks.org/Documents/HomeandFinance_Docs/Foreclosure_Docs/ForeclosureCounseling%28NFMC%29_Docs/2014_NFMC_UrbanInstituteReport.aspx.

[32] Benjamin L. Castleman and Lindsay C. Page, *Summer Nudging: Can Personalized Text Messages and Peer Mentor Outreach Increase College Going Among Low-income High School Graduates?*, Volume 115, Journal of Economic Behavior and Organization, (July 2015) at pp. 144-160, available at http://www.sciencedirect.com/science/article/pii/S0167268114003217.

present a significant obstacle to college matriculation, may be addressed by pointing students to information in small, easily-digestible, and timely increments with concrete steps to take as they go.

Action steps

Pointing people to actionable steps can help them translate intentions into actions.

- Some evidence from the field of health education can be applied to financial education as well. For example, a study of college seniors who were informed about the importance of getting tetanus vaccinations found that the information changed students' beliefs and attitudes, but that few students actually took the step of getting the shot. Those students who were also given a specific plan for action, including a map to the campus clinic and encouragement to think about a particular time and route, were significantly more likely to follow-through and get the shot.[33]

- In a study conducted at Dartmouth College, college employees were provided with a planning aid that informed them of their retirement savings options and broke down enrollment instructions into small, easy-to-manage steps that made it easier for them to follow-up. Employees who received the planning aid were far more likely than other employees to open supplementary pension accounts.[34]

- In another example from financing postsecondary education, individuals who were randomly assigned to one-on-one assistance in filling out the Federal Application for Federal Student Aid (FAFSA) during income tax filing time were more likely to complete

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[33] Howard Leventhal, Robert Singer, and Susan Jones, *Effects of Fear and Specificity of Recommendation Upon Attitudes and Behavior*, Volume 2, Issue 1, Journal of Personality and Social Psychology, (July 1965) at pp. 20-29, available at http://psycnet.apa.org/journals/psp/2/1/20/.

[34] Annamaria Lusardi, Punam Anand Keller, and Adam Keller, *New Ways to Make People Save: A Social Marketing Approach*, in Annamaria Lusardi (Ed.) *Overcoming the Savings Slump: How to Increase the Effectiveness of Financial Education and Savings Programs*, University of Chicago Press, (2009), available at http://chicago.universitypressscholarship.com/view/10.7208/chicago/9780226497105.001.0001/upso-9780226497099.

the application, more likely to receive federal aid, and received more aid than those who did not have access to the assistance. Adults who received this assistance were also more likely to go back to school to obtain a postsecondary degree.[35]

2.2.3 Additional strategies from practitioners

Below are other promising strategies for putting this principle into practice, suggested by financial education practitioners at a convening of the CFPB FinEx. The strategies presented here are the most commonly recommended; for the full list, see Appendix B.

BREAK DOWN FINANCIAL GOALS INTO SMALLER STEPS

Identify bite-sized objectives within bigger goals, tackle one objective before moving on to the next, and build on success.

MEET PEOPLE WHERE THEY ARE

Focus on the top concerns of the person being served instead of trying to provide all education at once. Make sure information provided is culturally relevant.

CONNECT INFORMATION TO INDIVIDUAL'S FINANCIAL GOALS

Make information relevant to the people being served by connecting it to their financial goals and letting them decide what skills and information they need.

CUSTOMIZE OR PERSONALIZE INFORMATION

Ensure that information is timely and relevant by connecting it to people's life events or community situations (for example, a large manufacturing plant closing down or natural disaster); or, in group settings, to a topic that everyone will have in common (for example, a car purchase).

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[35] Eric P. Bettinger, Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu, *The Role of Application Assistance and Information in College Decisions: Results From the H&R Block FAFSA Experiment*, Volume 127, Issue 3, Quarterly Journal of Economics, (July 2012) at pp. 1205-1242, available at https://academic.oup.com/qje/article/127/3/1205/1921970/The-Role-of-Application-Assistance-and-Information.

2.2.4 Related programs and resources

A wide range of online resources is available from the U.S. Federal Government that can help with financial decisions in the moment. Some of these are highlighted below.

Resource	About the resource
MyMoney.gov, created by the Congressionally-chartered Financial Literacy and Education Commission (FLEC) and maintained by the U.S. Department of the Treasury	Offers actionable information, tips, and tools to help with financial decision-making. It is organized around five money topics: earning, savings and investing, protecting, spending, and borrowing. FLEC is made up of more than twenty federal entities, including the CFPB, that work together to strengthen financial capability and increase access to financial services.
Military.Consumer.gov, a financial readiness website from the Federal Trade Commission	Helps members of the military community navigate personal financial decisions in light of unique challenges they face, such as relocations and deployment. The website includes information and resources for military families as well as for personal financial managers.
Resources from the U.S. Department of Agriculture Cooperative Extension System articles.extension.org/personal_finance	Personal finance website with numerous lessons, tools, and other resources organized by topic.
CFPB's *Owning a Home* website consumerfinance.gov/owning-a-home	Online set of tools and resources to help consumers shop for the mortgage loan that is best for them. This includes understanding the options that may be available and questions to ask along the way.
CFPB's tools: *Take control of your auto loan*, available at https://www.consumerfinance.gov/consumer-tools/auto-loans/ ; *Paying for college*, available at https://www.consumerfinance.gov/paying-for-college/; *Planning for retirement: Before you claim*, available at https://www.consumerfinance.gov/retirement/before-you-claim/.	Tools that support financial decision-making skills at key moments in the financial lifecycle such as financing a vehicle purchase, paying for college, and planning for retirement.

CFPB's online resource: *Ask CFPB*, available at https://www.consumerfinance.gov/askcfpb/	Gives answers to questions about financial products and services including credit cards, mortgages, student loans, bank accounts, credit reports, payday loans, and debt collection. The questions and answers include explanations of financial terms to help consumers better understand financial products and services and make informed decisions about their use. There is also advice about shopping for financial services and specific actions they can take to assert their rights or resolve problems.
CFPB's step-by-step guide: *Your home loan toolkit , available at https://www.consumerfinance.gov/about-us/blog/understanding-the-mortgage-process-your-home-loan-toolkit/*	Helps consumers make better choices along the path to owning a home. It offers guidance on the steps to take to get the best mortgage for a household's situation, helps homebuyers better understand closing costs and what it takes to buy a home, and describes a few ways to be a successful homeowner.
CFPB's *Your Money, Your Goals: A financial empowerment toolkit*, available at https://www.consumerfinance.gov/educational-resources/your-money-your-goals/toolkit/	For use by those who work with low-income or economically vulnerable people on a wide range of issues, including social services, legal assistance, community and faith-based organizations, among others. It is not a curriculum, but rather a collection of tools to choose from depending on the needs of the person being served. This could be a worksheet for tracking monthly spending, sample letters for disputing errors on a credit report, or sample questions to ask when establishing a banking relationship.

2.3 Improve key financial skills

Financial capability has an action component — the skills to put financial knowledge to use.[36]

These skills are powerful because they can be applied to all kinds of financial decisions, even those that are new and unfamiliar. Experience and practice can help build these skills that underlie financial well-being.[37]

Principle 3 recommends that financial education programs support individuals in learning the "how to" of making sound financial decisions and following-through.

2.3.1 Key concepts and illustrative examples

In our financial well-being research, we found that people were more likely to say that they rely upon knowing how to do things than knowing particular facts. From their input, we derived the concept of basic financial skill, which encompasses the three elements described below.[38]

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[36] This point is widely acknowledged in the broader financial capability literature. See, e.g.: Adele Atkinson, Stephen McKay, Sharon Collard, and Elaine Kempson, *Levels of Financial Capability in the UK*, Volume 27, Issue 1,Public Money and Management, (2007) at pp. 29–36, available at http://www.tandfonline.com/doi/abs/10.1111/j.1467-9302.2007.00552.x?journalCode=rpmm20; OECD, *PISA 2012 Assessment and Analytical Framework: Mathematics, Reading, Science, Problem Solving and Financial Literacy*, OECD Publishing, (February 2013), available at dx.doi.org/10.1787/9789264190511-en.

[37] Anita I. Drever, Elizabeth Odders-White, Charles W. Kalis, Nicole M. Else-Quest, Emily M. Hoagland, and Emory N. Nelms, *Foundations of Financial Well-Being: Insights Into the Role of Executive Function, Financial Socialization, and Experience-based Learning in Childhood and Youth*, Volume 49, Issue 1, Journal of Consumer Affairs, (Spring 2015) at pp. 13–38, avialable at http://onlinelibrary.wiley.com/doi/10.1111/joca.12068/full.

[38] Consumer Financial Protection Bureau (CFPB), *Financial Well-being: The goal of financial education,* (January 2015), available at https://www.consumerfinance.gov/data-research/research-reports/financial-well-being/.

Knowing when and how to find reliable information to make financial decisions

People with strong financial skill know where to look for reliable information when they need to make a financial decision — whether that information is advice from an experienced friend, a professional investment advisor, the library, or the Internet. This skill can be especially critical when someone is considering using or purchasing a financial product that is unfamiliar, has high stakes, or requires deep expertise to master; but it applies to the full range of financial decisions. For example, one study shows how being ill-equipped to evaluate mortgage market information led many people to make suboptimal mortgage borrowing decisions.[39] CFPB research highlights challenges consumers have in shopping for vehicle loans and the risks that seniors face in evaluating financial adviser qualifications or reverse mortgage advertisements.[40]

Knowing how to process financial information to make financial decisions

Once they obtain financial information, consumers with greater financial skill know how to process it. For example, they know which element of a loan offer to pay attention to in order to figure out which auto loan would work best for their budget. Financial products often feature multiple types of costs, which may be incurred upfront or on a recurring basis, or added to amounts borrowed or interest charged or incurred only under certain conditions; and the various elements of a financial product, such as monthly payment and length of the loan, are interdependent. Because of factors such as these, it takes skill to determine total cost, compare options, and get reliable guidance, if needed.

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[39] Carolina Reid, *Sought or Sold? Social Embeddedness and Consumer Decisions in the Mortgage Market*, Federal Reserve Bank of San Francisco Working Paper 2010-09, (December 2010), available at www.frbsf.org/community-development/files/wp2010-09.pdf.

[40] CFPB's *A closer look at reverse mortgage advertisements and consumer risks*, (June 2015), available at files.consumerfinance.gov/f/201506_cfpb_a-closer-look-at-reverse-mortgage-advertising.pdf; CFPB's *Consumer voices on automobile financing*, (June 2016), available at files.consumerfinance.gov/f/documents/201606_cfpb_consumer-voices-on-automobile-financing.pdf; and CFPB's *Senior designations for financial advisers: Reducing consumer confusion and risks*, (April 2013), available at files.consumerfinance.gov/f/201304_CFPB_OlderAmericans_Report.pdf.

Knowing how to execute financial decisions, adapting as necessary to stay on track

People with strong financial skill know how to get themselves to execute and stick to their financial plans over the long-term and adjust those plans as necessary. Accomplishing a goal or other desired behavior requires getting oneself to take the required action, or repeated actions over time, and sticking with a plan.

Skill-building strategies include teaching people where to look for reliable information that can assist them with a financial decision and helping them learn to ask questions that will get them relevant, useful answers. Other strategies include offering tools and aids that support comparison shopping and decision-making such as worksheets to help assess and compare multiple loan offers. Section 2.3.4, below (Related programs and resources), offers examples of online tools that aid in comparing financial products.

Our research suggests that finding effective methods to help people learn to stick to their plans is a promising new frontier for financial educators. In the health field, techniques such as repetition and linking new habits to existing routines have been found to be effective.[41] Further, educational techniques such as experiential learning and rules-based mental shortcuts help people better absorb new learnings.

2.3.2 What we know about what works

Below are summaries of some studies that provide evidence of effective ways to put this principle into practice.

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[41] Alexander J. Rothman, Peter M. Gollwitzer, Adam M. Grant, David T. Neal, Paschal Sheeran, and Wendy Wood, *Hale and Hearty Policies – How Psychological Science Can Create and Maintain Healthy Habits*, Volume 10, Issue 6, Perspectives on Psychological Science, (2015) at pp. 701–705, available at journals.sagepub.com/doi/pdf/10.1177/1745691615598515. For a summary of this paper, see *Helping Healthy Habits Stick*, Association for Psychological Science, (January 2016), available at http://www.psychologicalscience.org/publications/observer/obsonline/helping-healthy-habits-stick.html

Financial counseling

Financial counseling can support people in learning skills needed to successfully take or stick with unfamiliar or difficult actions.

- A study by the World Bank Group concluded that individualized financial counseling helped participants undertake difficult actions or tasks they had not done before, such as regularly preparing a budget or opening a bank savings account.[42]
- Another study surveyed participants three months after receiving credit counseling and found that nearly three-fourths of survey respondents reported paying their debts more consistently after enrolling in the program.[43]
- A randomized field experiment of first-time homebuyers tested the impact of goal setting and external monitoring on mortgage delinquency. The study found that participation in an education module that included lessons in financial planning and goal setting with periodic follow-up by a third-party "monitor," lowered delinquency and default rates for at least two years after home purchase.[44]

Opportunities to practice

Opportunities to practice financial behaviors with specialized financial products can help build skills.

[42] Fenella Carpena, Shawn Cole, Jeremy Shapiro, and Bilal Zia, *The ABCs of Financial Education: Experimental Evidence on Attitudes, Behavior, and Cognitive Biases*, World Bank Group Policy Research Working Paper 7413, (September 2015) at p. 6, available at documents.worldbank.org/curated/en/633221467993160732/The-ABCs-of-financial-education-experimental-evidence-on-attitudes-behavior-and-cognitive-biases.

[43] Stephanie J. Moulton and Stephen Roll, *The NFCC® Sharpen Your Financial Focus Initiative Impact Evaluation*, National Foundation for Credit Counseling (NFCC), (April 2016), available at nfcc.org/wp-content/uploads/2016/06/134236_NFCC_WEB-1.pdf.

[44] Stephanie Moulton, J. Michael Collins, Cäzilia Loibl, and Anya Samek, *Effects of Monitoring on Mortgage Delinquency: Evidence From a Randomized Field Survey*, Volume 34, Issue 1, Journal of Policy Analysis and Management, (2015) at pp. 184–207, available at http://onlinelibrary.wiley.com/doi/10.1002/pam.21809/pdf.

- Rigorous studies have found that Individual Development Accounts (IDAs), which give low-income participants the opportunity to contribute regularly to savings accounts and earn matching amounts in the process, have been effective in fostering savings behavior among households with little prior history of formal savings.[45]

- Among low-income youth ages 16-21 working in youth employment programs, those that were part of a financial education program that offered access to a mainstream savings account, direct deposit with an auto-save feature, in-person orientation and support, and an online financial education application, showed significantly higher levels of financial knowledge, financial self-efficacy, and confidence in undertaking financial tasks on average than those in a comparison group that received only a one-hour workshop. The group receiving the expanded services also reported better financial behaviors (such as tracking spending and using a budget) than the comparison group.[46]

If-then plans and piggybacking on existing routines

Teaching people to use if-then plans and to piggyback desired behaviors on existing routines has been shown to be effective in improving follow-through on health-related intentions and instilling new habits.

- In an if-then plan, an individual identifies likely opportunities or obstacles and then specifies what they will do when the opportunity or obstacle arises. This makes it more

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[45] IDAs couple financial education with access to a matched-savings account wherein individuals save for a specific goal. Michael Grinstein-Weiss, Shenyang Guo, Vanessa Reinertson, and Blair Russell, *Financial Education and Savings Outcomes for Low-Income IDA Participants: Does Age Make a Difference?*, Volume49, Issue 1, The Journal of Consumer Affairs, (2015) at pp. 156-185, available at onlinelibrary.wiley.com/doi/10.1111/joca.12061/full; Margaret Clancy, Michal Grinstein-Weiss, and Mark Schreiner, *Financial Education and Savings Outcomes in Individual Development Accounts*, Washington University (St. Louis, MO) Center for Social Development, (2001), available at http://econwpa.repec.org/eps/hew/papers/0108/0108001.pdf.

[46] Vernon Loke, Laura Choi, Lauren Larin, and Margaret Libby, *Boosting the Power of Youth Paychecks: Integrating Financial Capability into Youth Employment Programs*, Federal Reserve Bank of San Fransisco Working Paper 2016-03, (April 2016), available at www.frbsf.org/community-development/files/wp2016-03.pdf.

likely that the person will seize opportunities and not be deterred by obstacles. In one health related study, patients who wrote a single-sentence if-then plan were substantially more likely to take their medications correctly.[47]

- Linking new behaviors to existing routines, such as changing the batteries in smoke alarms at the same time as adjusting clocks for daylight savings time, or taking pills at mealtime, are examples of how people can form new, healthy habits that stick. For example, flossing teeth right after brushing most effectively helped people establish a flossing habit.[48]

Simple guidelines

Simplified, memorable, and actionable guidelines can help people learn new ways of managing money.

- In one study, micro-entrepreneurs were trained in financial accounting using either a standard approach or a rules-based approach. The rules-based approach taught simple guidelines or mental shortcuts on how to estimate business profits, pay oneself a salary, and manage business and personal expenses distinctly. The rules-based approach was more likely to lead to better practices, particularly for micro-entrepreneurs with lower skills or poor initial financial practices.[49]

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[47] Alexander J. Rothman, Peter M. Gollwitzer, Adam M. Grant, David T. Neal, Paschal Sheeran, and Wendy Wood, *Hale and Hearty Policies – How Psychological Science Can Create and Maintain Healthy Habits*, Volume 10, Issue 6, Perspectives on Psychological Science, (2015) at pp. 701–705, available at journals.sagepub.com/doi/pdf/10.1177/1745691615598515. For a summary of this paper, see *Helping Healthy Habits Stick*, Association for Psychological Science, (January 2016), available at http://www.psychologicalscience.org/publications/observer/obsonline/helping-healthy-habits-stick.html

[48] Id.

[49] Alejandro Drexler, Greg Fischer, and Antoinette Schoar, *Keeping It Simple: Financial Literacy and Rules of Thumb*, Volume 6, Issue 2, American Economic Journal: Applied Economics, (April 2014) at pp. 1–31, available at www.aeaweb.org/articles?id=10.1257/app.6.2.1.

- Another study, performed under contract with the CFPB, sent eye-catching email messages to people who carried debt on their credit card from month-to-month, encouraging them to use cash instead of credit for purchases under $20. The simple messages were found to modestly reduce participants' revolving debt on their credit card at a very low cost to implement.[50]

- A study by economists at the World Bank used a dice-rolling demonstration to help participants grasp that the odds of winning the lottery were low. Without having to learn how to calculate and evaluate specific probabilities, those who experienced poor odds in the dice game ended up reducing their lottery participation.[51]

2.3.3 Additional strategies from practitioners

Below are other promising strategies for putting this principle into practice, suggested by financial education practitioners at a convening of the CFPB FinEx. The strategies presented here are the most commonly recommended; for the full list, see Appendix B.

PROVIDE OPPORTUNITIES TO PRACTICE AND EXPERIENCE

Have individuals practice skills repetitively and try time-limited challenges (for example, do not eat out for thirty days) as a way to build habits.

USE TECHNOLOGY

Use tools like expense trackers, goal trackers, online coaching, and others to help build skills, deliver information, and maintain attention and follow-through.

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[50] Brett Theodos, Rebecca Daniels, Christina Plerhoples Stacy, Devlin Hanson, Margaret Simms, Amanda Hahnel, Katya Abazajian, and Joanna Smith-Ramani, *Don't Swipe the Small Stuff: An Evaluation of the Impacts of Two 'Rules of Thumb' for Credit Card Revolvers*, Urban Institute: Metropolitan Housing and Communities Policy Center, (September 2016), available at www.urban.org/sites/default/files/alfresco/publication-pdfs/2000846-An-Evaluation-of-the-Impacts-of-Two-Rules-of-Thumb-for-Credit-Card-Revolvers-1.pdf.

[51] Martin Abel, Shawn Cole, and Bilal Zia, *Debiasing on a Roll: Changing Gambling Behavior through Experiential Learning*, World Bank Group Policy Research Working Paper 7195, (February 2015), available at openknowledge.worldbank.org/handle/10986/21446.

USE SIMULATION AND EXPERIENTIAL LEARNING

Let people practice making financial choices and experience consequences in a safe environment.

HELP PEOPLE LEARN ABOUT HOW AND WHY TO DO RESEARCH

Empower people to do their own research and give them tools to seek out information on their own. Demonstrate the value proposition of comparison shopping — the time that people use to compare products will result in savings.

2.3.4 Related programs and resources

Several online tools allow consumers to compare prices across loans and other financial products. Here are some examples:

Resource	About the resource
CFPB's *Explore mortgage interest rates* comparison website, available at https://www.consumerfinance.gov/owning-a-home/explore-rates/	Enables consumers to enter their credit score, loan type, home price, and down payment amount and explore the range of mortgage interest rates they can expect to receive.
Comparison tool for loan and deposit products from the National Credit Union Administration, available at https://www.ncua.gov/analysis/Pages/industry/credit-union-bank-rates.aspx	Provides monthly data on rates for 23 loan and deposit products, comparing rates at banks and credit unions.
Website to compare insurance premiums offered by the state of Texas, available at http://helpinsure.com/	Allows consumers to compare the costs of automobile and home insurance offered by providers in Texas. Several states have created similar websites that allow consumers to compare insurance premiums.
Resources from Federal Student Aid, an office of the U.S. Department of Education, available at https://studentaid.ed.gov/sa/types/loans/interest-rates	Provides information on federal and private student loans, including fees and interest rates.
CFPB's resource *Know your financial adviser*, available at https://www.consumerfinance.gov/about-us/blog/know-your-financial-adviser/	Teaches questions people can ask to check the qualifications of a person offering financial planning and investment advice to older consumers.

2.4 Build on motivation

Knowledge and skills alone do not necessarily lead to action. There is often a gap between what people intend to do and what they actually do. Personal attitudes related to motivation partly explain this gap and can influence behavior.[52]

> Principle 4 recommends helping people build qualities that strengthen and reinforce their determination to take specific steps to achieve their financial goals.

People who come to financial education and financial capability programs are likely to be motivated. How can that motivation be reinforced and channeled to support people in achieving their financial goals?

2.4.1 Key concepts and illustrative examples

The CFPB's research points to three key attitudes relevant to carrying through on intentions that financial education can help people strengthen. Research suggests they could potentially be influenced — to varying degrees and at different times of life — by well-designed programs, opportunities, and support mechanisms.

Internal frame of reference

Our research suggests that people who make financial decisions true to their own standards and values rather than in comparison to other people (for example, in order to "keep up with the Joneses" or out of "fear of missing out"), also experience greater financial well-being. This is called having an internal frame of reference. People with a strong internal frame of reference

[52] Karen Holden, *The Emotions and Cognitions Behind Financial Decisions: The Implications of Theory for Practice*, University of Wisconsin-Madison Center for Financial Security Working Paper 10-4, (September 2010), available at cfs.wisc.edu/2010/09/23/the-emotions-and-cognitions-behind-financial-decisions-the-implications-of-theory-for-practice/.

will be less susceptible to peer pressure and marketing, and more likely to take positive financial actions than if they are told they should do something because someone else thinks it will be good for them.[53] Keeping people focused on their own aspirations and the steps to get there will make taking the required actions easier and more meaningful to them.

Financial self-efficacy

People are more likely to try to do something if they believe they can be successful at it and that the outcome will be worth the effort required. Belief in one's ability to influence financial outcomes, achieve goals, and complete action steps that one sets for oneself is called financial self-efficacy. Strategies to help people build this quality include helping them set and succeed at incremental financial tasks to build their confidence in tackling larger ones. Likewise, learning that one's peers have succeeded at a financial task, and receiving encouragement from peers, can also build one's sense of financial self-efficacy.

Perseverance

Perseverance is the ability to stay motivated and focused and to stick with one's resolve, even in the face of obstacles. Support from coaches or peers, reminders, and progress updates are examples of strategies that can help people stay focused and follow-through on the action steps they intended to take. Examples from the health field include diet and fitness programs that use tracking or buddy systems to help people stick to their resolutions.

2.4.2 What we know about what works

Below are summaries of some studies that provide evidence of effective ways to put this principle into practice.

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[53] The CFPB has developed tools to support this type of personalized planning, including *Consumer voices on financial rules to live by* worksheets, (March 2016), available at www.consumerfinance.gov/data-research/research-reports/consumer-voices-financial-rules-live/; and *My new money goal* financial planning worksheets, (2013), available at pueblo.gpo.gov/CFPBPubs/CFPBPubs.php?PubID=13057.

Framing

Framing a financial decision to highlight its connection to a personally important goal can help inspire people to take action.

- A study had social workers seal a targeted amount of savings in an envelope to encourage participants' savings for the long-term. The social workers put the savings of some households in blank envelopes and the savings of other households in envelopes that had pictures of the household's children. Those who had savings in an envelope with pictures were less likely to open and spend the money than those who had savings in a blank envelope, provided that savings goals were reasonable.[54]
- Another study explored how identifying with one's future self, by interacting with age-progressed digital pictures of oneself using virtual reality hardware, might affect people's choices. Those exposed to digital photos of their future selves put more of their pay into a retirement account than participants who did not interact with the age-progressed digital photos.[55]
- A study found that reminders in the form of text messages or letters were particularly effective in helping people maintain their commitment to savings goals, especially when the reminders mentioned the person's particular savings goals or financial incentives.[56]

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[54] Dilip Soman and Amar Cheema, *Earmarking and Partitioning: Increasing Savings by Low-income Households*, Volume 48, Journal of Marketing Research, (November 2011) at pp. S14-S22, available at https://doi.org/10.1509/jmkr.48.SPL.S14.

[55] Hal E. Hershfield, Daniel G. Goldstein, William F. Sharpe, Jesse Fox, Leo Yeykelis, Laura L. Carstensen, and Jeremy N. Bailenson, *Increasing Saving Behavior Through Age-Progressed Renderings of the Future Self*, Volume 48, Journal of Marketing Research, (November 2011) at pp. S23-S37, available at journals.ama.org/doi/abs/10.1509/jmkr.48.SPL.S23.

[56] Dean Karlan, Margaret McConnell, Sendhil Mullainathan, and Jonathan Zinman, *Getting to the Top of Mind: How Reminders Increase Saving*, Volume 62, Issue 12, Management Science, (2016) at pp. 3393-3411, available at https://doi.org/10.1287/mnsc.2015.2296.

Financial coaching

Financial coaching helps people tap into their own strengths. Coaching uses regular one-on-one sessions between a coach and a client to help individuals set and manage financial goals and design concrete plans of action. Coaches seek not to "fix" the people they are serving, but to help them frame desired financial choices and actions based on their own standards, goals, and personal strengths to ultimately make their own decisions.[57] Financial coaching is thus focused on the priorities and strengths of the individual with coaches holding individuals accountable for their goals and actions. Findings of a rigorous evaluation of financial coaching programs, contracted by the CFPB, found that coaching can help improve various aspects of financial well-being materially. For example, on average, people offered access to financial coaching increased savings, reduced debt, increased credit scores, were more likely to pay bills on time, and reported an increased sense of confidence in their finances and reduced feelings of financial stress.[58]

Small victories and results

Successive small victories with tangible results can keep people motivated for the long haul.[59] In the case of paying off debt, for example, there is some evidence that people may be more successful in becoming debt free if they pay off debts from smallest balance to largest balance

[57]Brett Theodos, Margaret Simms, Mark Treskon, Christina Stacy, Rachel Brash, Dina Emam, Rebecca Daniels, and Juan Collazos, *An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs*, Urban Institute, (October 2015), available at www.urban.org/sites/default/files/alfresco/publication-pdfs/2000448-An-Evaluation-of-the-Impacts-and-Implementation-Approaches-of-Financial-Coaching-Programs.pdf; Center for Financial Security, *Financial Coaching: Review of Existing Research*, University of Wisconsin-Madison Issue Brief 2015-10.1, (October 2015), available at fyi.uwex.edu/financialcoaching/files/2015/10/FinancialCoaching_10.1.pdf.

[58] For more information on the insights gathered through this study, see the CFPB research brief , *Financial coaching: A strategy to improve financial well-being*, (October 2016), available at consumerfinance.gov/data-research/research-reports/financial-coaching-strategy-improve-financial-well-being/

[59] Teresa M. Amabile and Steve J. Kramer, *The Progress Principle: Using Small Wins to Ignite Joy, Engagement, and Creativity at Work*, Harvard Business Review Press, (2011), available at https://hbr.org/product/the-progress-principle-using-small-wins-to-ignite-/an/10106-HBK-ENG.

rather than focusing on paying all debts simultaneously or paying off higher interest rate debts first.[60] The smallest-first strategy is believed to work by giving people a greater sense of accomplishment and progress on their way to reaching a larger goal.

Implementation planning

Implementation planning helps people take the steps needed to accomplish a desired goal by spelling out in advance the when, where, and how of what they will do to reach that goal. A study found that self-employed individuals who engaged in implementation planning before going to a tax preparation session received substantially larger refunds on average than those in a control group. All participants received orientation before going to the tax preparation session, but only every other orientation session included implementation planning, wherein participants filled out a tax preparation worksheet and were sent appointment reminders listing steps to take to get ready for the tax preparation session.[61]

Peer support

Peer support programs connect participants to a peer group in which group members are encouraged to share their experiences and challenges with one another. Participants may derive support from the group setting while also feeling a certain degree of accountability for results.[62]

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[60] Keri L. Kettle, Remi Trudel, Simon J. Blanchard, and Gerald Häubl, *Repayment Concentration and Consumer Motivation to Get Out of Debt*, Volume 43, Issue 3, Journal of Consumer Research, (2016) at pp. 460-477, available at academic.oup.com/jcr/article/43/3/460/2200459/Repayment-Concentration-and-Consumer-Motivation-to.

[61] Mindy Hernandez, *Applying Behavioral Research to Asset-Building Initiatives: Lessons From a Year of Experimentation*, Corporation for Enterprise Development (CFED), (April 2011), available at http://cfed.org/assets/pdfs/Applying_Behavioral_Research_to_Asset_Building_Initiatives.pdf.

[62] Charles F. Manski, *Identification of Endogenous Social Effects: The Reflection Problem*, Volume 60, Issue 3, Review of Economic Studies, (July 1993) at pp. 531-542, available at http://www.jstor.org/stable/2298123; Lori Beaman, Dean Karlan, and Bram Thuysbaert, *Saving for a (not so) Rainy Day: A Randomized Evaluation of Savings Groups in Mali*, National Bureau of Economic Research Working Paper No. 20600, (October 2014), available at http://www.nber.org/papers/w20600; Pascaline Dupas and Jonathan Robinson, *Why Don't the Poor Save More? Evidence from Health Savings Experiments*, Volume 103, Issue 4, American Economic Review, (2013) at pp. 1138-1171, available at https://www.aeaweb.org/articles?id=10.1257/aer.103.4.1138.

Within this context, participants may also informally exchange information and direct their peers towards relevant resources. Peer support programs could include lending circles and homebuyer clubs, social media groups, and programs where participants choose a peer supporter who will be notified if the participant falls behind on financial goals. Such programs make use of positive social pressure to help people achieve their goals and to avoid contrary social pressures, such as pressure to spend. They can also improve self-efficacy as people see their peers making progress.

- A research study showed that over the course of twelve months, people who were part of a self-help peer group deposited almost 3.5 times more money into a savings account and had an average savings balance nearly twice that of a control group.[63]
- In another study, low-income female micro-entrepreneurs participated in a two-day group training on financial literacy and business skills. Participants were randomly assigned to two groups: those who were invited to bring a friend to the training and those who were invited to attend alone. Those who attended the training with a friend were more likely to take out a business loan and invest the funds to expand their sales than those who attended alone. Four months after participating in the training these women reported increased business activity and higher household income.[64]
- In another study, when some employees were given a $20 incentive to attend a benefits fair, researchers observed that other employees were more likely to attend as well. Seeing

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[63]Felipe Kast, Stephan Meier, and Dina Pomeranz, *Under-savers Anonymous: Evidence on Self-Help Groups and Peer Pressure as a Savings Commitment Device*, National Bureau of Economic Research Working Paper No. 18417, (October 2012), available at http://www.nber.org/papers/w18417.

[64]Erica Field, Seema Jayachandran, Rohini Pande, and Natalia Rigol, *Friends at Work: Can Peer Effects Catalyze Female Entrepreneurship?*, Volume 8, Issue 2, American Economic Journal: Economic Policy, (May 2016), pp. 125-153, available at http://dx.doi.org/10.1257/pol.20140215.

coworkers attend the event may have signaled that it was an important opportunity for all employees, creating a spill-over effect.[65]

2.4.3 Additional strategies from practitioners

Below are other promising strategies for putting this principle into practice, suggested by financial education practitioners at a convening of the CFPB FinEx. The strategies presented here are the most commonly recommended; for the full list, see Appendix B.

CELEBRATE SUCCESS

Celebrate successes early and often by recognizing and acknowledging short-term goals achieved and benchmarks reached.

FIND OUT WHAT MOTIVATES THE PERSON YOU ARE SERVING

Focus on what is most important to the participant first, and let the participant define success in a way that motivates him.

START WITH ONE THING

Get one thing done in the first interaction with the participant. For example, encourage the person to get her credit report and then get the participant's report. This helps people feel the satisfaction of accomplishing something and taking a first step.

USE REMINDERS, NUDGES, AND OTHER ONGOING SUPPORTS

Use strategies to help people stay motivated and on track, like reminders or having other periodic, relevant content.

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[65]Esther Duflo and Emmanuel Saez, *The Role Of Information and Social Interactions in Retirement Plan Decisions: Evidence From a Randomized Experiment*, Volume 118, Issue 3, The Quarterly Journal of Economics, (August 2003) at pp. 815–842, available at https://doi.org/10.1162/00335530360698432.

2.5 Make it easy to make good decisions and to follow-through on them

People's actions are often driven not simply by their own intentions, but also by the conditions in which they make and carry out decisions. This is referred to as the decision context. Under these influences, a person's decisions and actions may actually run counter to their stated, overall intent.[66] On the other hand, the environment in which people make or carry out decisions can be designed to make it much easier for people to make a sound choice that will serve them well, even if they do not have all the knowledge, skills, and motivations that otherwise might be required. This can be true even when, or particularly when, they have not yet developed a clear goal.

> Principle 5 recommends that program providers do what they can to make it easier for consumers to act in support of their financial goals, and to help consumers learn to navigate the pathways that affect their financial lives and decisions.

To illustrate, a person might choose to put her alarm clock across the room so that she cannot turn it off without getting out of bed. This choice could help her achieve her goal of exercising before work. In financial affairs, how people pay (cash, check, credit card, etc.) affects how much they spend. Studies indicate that people tend to spend less when paying with cash or check than

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[66] We are referring here to the well-established social psychology principle that human action is a function of both the person and the situation in which the action is taken (or not taken). See, e.g. Lee Ross and Richard E. Nisbett, *The Person and the Situation: Perspectives of Social Psychology*, McGraw-Hill Book Company, (1991); Allison Daminger, Jonathan Hayes, Anthony Barrows, and Josh Wright, *Poverty Interrupte: Applying Behavioral Science to the Context of Chronic Scarcity*, Ideas42, (May 2015) at pp. 7-8, available at http://www.ideas42.org/wp-content/uploads/2015/05/I42_PovertyWhitePaper_Digital_FINAL-1.pdf.

with credit cards. They also tend to spend less on subsequent purchases when they have used checks on previous purchases.[67]

Many of the situational forces lie outside a person's control, but some factors can be adjusted by program and service providers. It is also possible for the consumers themselves to influence these forces.

The more aware practitioners and consumers are about how the environment in which consumers are operating influences their financial decisions, the more they can learn to make the most of the situation.

The approaches signaled by this principle offer a bridge from education to action, a bridge that may be critically absent from many financial education efforts. Some of the approaches mentioned as part of this principle may be less familiar to financial education practitioners. Therefore, we provide more extensive explanation of this principle than of the others. Financial educators can further implement this principle by increasing their familiarity and collaboration with financial service providers and innovators, asset-building efforts, and a range of other related economic empowerment and social service providers and initiatives.

2.5.1 Key concepts and illustrative examples

Simply put, peoples' decisions and actions can be influenced by the way choices are presented and by the way we respond. Just as one purpose of marketing techniques is to influence what people do, financial education can be more effective through taking these factors into account.

The decision context matters

Even small adjustments to the decision context can help make it easier for consumers to make sound choices. These can include changing the options presented and how they are framed or

[67] Dilip Soman, *Effects of Payment Mechanism on Spending Behavior: The Role of Rehearsal and Immediacy of Payments,* Volume 27, Issue 4, Journal of Consumer Research, (March 2001) at pp. 460-474, available at http://www.jstor.org/stable/10.1086/319621.

arranged, removing potential obstacles that might get in the way, or adding supports that can help people bridge the gap between their intentions and what they actually do.[68] Financial educators can help shape decision context on multiple levels.

MAKE IT EASIER TO GET FINANCIAL EDUCATION

Educators and program designers can identify and address factors that make it harder or easier for people to participate in their programs. This could be as straightforward as choosing convenient times and locations for the target participants. More comprehensive approaches are to survey participants, or map their experiences, as they go through the program. This can be used to identify points where people drop out of the program and why. This information can then be used to develop adjustments that will increase participation and follow-through. One behavioral researcher recommends "placing yourself in the shoes of the people you're seeking to serve, find the chutes and potential ladders" to create a "tension map."[69] The U.K.'s Behavioral Insights Team offers a simplified framework wherein program designers can encourage a

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[68] Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir, *Behavioral Economics and Marketing in Aid of Decision Making Among the Poor*, Volume 25, Issue 1, Journal of Public Policy and Marketing, (2006) at pp. 8-11, available at https://doi.org/10.1509/jppm.25.1.8; Mindy Hernandez, *Applying Behavioral Research to Asset-Building Initiatives: Lessons From a Year of Experimentation*, Corporation for Enterprise Development (CFED), (April 2011), available at http://cfed.org/assets/pdfs/Applying_Behavioral_Research_to_Asset_Building_Initiatives.pdf; Kurt Lewin, *Field Theory in Social Science: Selected Theoretical Papers*, New York: Harper, (1952); The Public Health field has also identified the critical importance of making changes to the context as a way to influence people's overall health, such as by helping make individual's default decisions healthy. For example: Thomas R. Frieden, *A Framework for Public Health Action: The Health Impact Pyramid*, Volume 100, Issue 4, American Journal of Public Health, (April 2010) at pp. 590-595, available at ajph.aphapublications.org/doi/abs/10.2105/AJPH.2009.185652; Richard Thaler and Cass R. Sunstein, *Nudge: Improving Decisions About Health, Wealth and Happiness*, New York, NY: Penguin Group, (2009).

[69] See Chapter II in: Mindy Hernandez, *Applying Behavioral Research to Asset-Building Initiatives: Lessons From a Year of Experimentation*, Corporation for Enterprise Development (CFED), (April 2011), available at http://cfed.org/assets/pdfs/Applying_Behavioral_Research_to_Asset_Building_Initiatives.pdf

specific behavior by making it easy, attractive, social, and timely (often referenced to by the acronym, EAST).[70]

Financial education can be delivered in easy, attractive and entertaining ways using technology and media. Approaches that have been shown to be effective at increasing reach of financial education include video modules on tablets, and embedding financial education messages in televised soap operas such as the South African show “Scandal!” and “Nuestro Barrio” in the United States.[71]

One promising way to make access to financial education easier is by integrating it into programs and places where people already receive employment, social, medical, or educational services. Employers, public agencies, nonprofits, colleges and universities, and others have successfully embedded financial education into their existing infrastructure and programs.

HELP PEOPLE BE AWARE OF AND NAVIGATE THE ENVIRONMENT IN WHICH THEY ARE CARRYING OUT FINANCIAL TRANSACTIONS

Educators can help consumers be more aware of how options or pathways are presented to them in the marketplace, and learn how to navigate them. They can consider, step-by-step, the process consumers will encounter in carrying out their financial intentions, including where the bumps may be along the way and how they can be smoothed. People can learn to use the environment, or “decision context,” to support them in achieving their goals. Financial educators can even help people create their own pathways to support the actions they want to take. For example, they can help people set up savings accounts that are harder to withdraw from, align due dates of recurring bills with scheduled paydays, set up automated reminders and alerts to manage spending and credit accounts, or help people set up automatic payroll

[70] Additional information and specific strategies to adopt this framework in program design, available at www.behaviouralinsights.co.uk/publications/east-four-simple-ways-to-apply-behavioural-insights/.

[71] Pooja Wagh, *Beyond the Classroom: Evidence on New Directions in Financial Education,* Innovations for Poverty Action Financial Inclusion Program Brief, (January 2017), available at https://www.poverty-action.org/publication/beyond-classroom-evidence-new-directions-financial-education.

deductions to save toward a goal. These are just a few examples. Educators are encouraged to brainstorm with consumers to identify solutions that work for the consumer's situation.

BUILD EDUCATION INTO THE OFFERING AND USE OF PRODUCTS

Financial transactions themselves present prime opportunities for learning, whether it is a chance to send an email about homebuyer counseling options to someone seeking a mortgage or teaching someone how to manage their first bank account. Financial education strategies can be even more effective when coupled with, or built into, products and services that facilitate positive financial outcomes. This can be accomplished in a number of ways. Financial educators can collaborate with financial institutions to link specific financial education efforts to related products. Financial service providers can build education into the offering and use of products or support the creation of products that teach and facilitate the financial outcomes desired by the individuals served. In either case, financial educators can help consumers identify and use such products where available and appropriate. There are a number of spending or borrowing products or programs that facilitate savings. For example, some debit cards allow consumers to round up the cost of purchases and automatically transfer the extra amount to savings, or a financial institution may require borrowers to contribute money into a savings account every time they roll over a salary advance loan. Similarly, traditional self-amortizing mortgages help people systematically build home equity with each monthly payment.

The way people respond matters

Certain tendencies can influence the way that people interpret the situations they encounter and the choices they make, often without they being aware of it.[72] We describe some of these

[72] Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir, *Behavioral Economics and Marketing in Aid of Decision Making Among the Poor*, Volume 25, Issue 1, Journal of Public Policy and Marketing, (2006) at p. 4, available at https://doi.org/10.1509/jppm.25.1.8.

tendencies and the factors behind them below. These examples are just illustrative; readers are encouraged to explore this rich and emerging field further.[73]

BEING DERAILED BY HASSLE

If carrying out an intention requires additional steps, people may not follow-through. Finding ways to simplify or eliminate additional steps can help people overcome these obstacles to following-through on their financial intentions.[74]

STICKING WITH THE EASY DECISION

One human tendency is to leave things as they are; to stay with the status quo or to fall back on existing routines, beliefs, or previous choices made.[75] This tendency also can lead people to stick with default options — options preselected by others — even when they are free to choose other options; for example, automatically enrolling new employees in the company retirement plan at a predetermined contribution level.[76] It is worth pointing out that by sticking with the way things are or with a default choice that someone else made, the person is making the choice to not choose something different. Similarly, people often follow suggestions or benchmarks set by others, using them as guidelines or "anchors" for their own decisions. One example is using the minimum payment shown in the monthly statement to decide how much to pay on a credit card.

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[73] For seminal work in this area, see: Daniel Kahneman, *Thinking Fast and Slow*, New York, NY: Farrar, Strauss and Giroux, (2011).

[74] Mindy Hernandez, *Applying Behavioral Research to Asset-Building Initiatives: Lessons From a Year of Experimentation*, Corporation for Enterprise Development (CFED), (April 2011), at pp. 4-5, available at http://cfed.org/assets/pdfs/Applying_Behavioral_Research_to_Asset_Building_Initiatives.pdf.

[75] Ideas42, *Principles: Status Quo Bias*, Ideas42 Blog, (accessed June 9, 2017), available at www.ideas42.org/blog/principle/status-quo-bias/; William Samuelson and Richard J. Zeckhauser, *Status Quo Bias in Decision Making*, Volume 1, Issue 1, Journal of Risk and Uncertainty, (March 1988) at pp. 7-59, available at https://link.springer.com/article/10.1007/BF00055564.

[76] Ideas42, *Principles: Status Quo Bias*, Ideas42 Blog, (accessed June 9, 2017), available at www.ideas42.org/blog/principle/status-quo-bias/

PRESENT BIAS

This tendency can lead people to more heavily weigh present benefits or costs than those that can be expected in the future.[77] For example, making extra payments on a debt will reduce total interest paid; however, the prospect of having less money to spend in the here and now might deter consumers from doing so.

MENTAL ACCOUNTING

Individuals and households often assign labels to types of funds or expenditures, and give them differential value or priority for saving or spending, depending on the objective and the source of the funds.[78] Even though money is fungible, funds allocated to different "accounts" are often considered nontransferable. For example, a person may be willing to spend cash just received as a birthday gift, but not the same amount from savings put aside for emergencies.[79] Or, a person may be building up savings at a low interest rate while carrying credit card debt at a much higher rate.

ATTENTION TO SALIENT INFORMATION

This tendency can lead people to pay attention only to information that is most noticeable. For example, a consumer looking at a credit card offer might notice a low introductory rate presented in a large font, but overlook a higher long-term rate buried in small print. Recognizing how this tendency can be used by marketers, federal regulations require that the rate that will

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[77] Allison Daminger, Jonathan Hayes, Anthony Barrows, and Josh Wright, *Poverty Interrupte: Applying Behavioral Science to the Context of Chronic Scarcity*, Ideas42, (May 2015) at p. 19, available at http://www.ideas42.org/wp-content/uploads/2015/05/I42_PovertyWhitePaper_Digital_FINAL-1.pdf.[77]; Ted O'Donoghue and Matthew Rabin, *Doing It Now or Later*, Volume 89, Issue 1, American Economic Review, (March 1999) at pp.103-124, available at https://www.aeaweb.org/articles?id=10.1257/aer.89.1.103.

[78] Richard H. Thaler, *Mental Accounting Matters*, Volume 12, Issue 3, Journal of Behavioral Decision Making (September 1999) at pp.183-206, available at http://onlinelibrary.wiley.com/doi/10.1002/(SICI)1099-0771(199909)12:3%3C183::AID-BDM318%3E3.0.CO;2-F/abstract.

[79] Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir, *Behavioral Economics and Marketing in Aid of Decision Making Among the Poor*, Volume 25, Issue 1, Journal of Public Policy and Marketing, (2006) at p. 7, available at https://doi.org/10.1509/jppm.25.1.8.

apply following an introductory, promotional period be presented "in a clear and conspicuous manner…in a prominent location closely proximate to the first listing of the promotional …".[80]

Such tendencies can interact with the decision context and influence the choices that individuals make. By being aware of these often invisible forces, financial educators can help to make consumers aware of them and design financial education approaches that either overcome these tendencies or leverage them, as the examples below demonstrate.

[80] See 12 C.F.R. § 1026.16(g)(4).

2.5.2 What we know about what works

Below are summaries of some studies that provide evidence of effective ways to put this principle into practice.

Adjusting the decision context

EMBEDDING FINANCIAL EDUCATION

Studies of programs that embed financial education into mandatory training for U.S. Army enlistees, into the workplace, in programs for employment training and income assistance services for low-income job seekers, have demonstrated positive financial outcomes when compared with similar groups that did not receive financial education as part of the training or service delivery.[81]

MAKING IT EASY TO ACCESS PRODUCTS THAT SUPPORT THE PERSON'S GOAL

A Washington, DC youth employment program made it simple for youth participating in the jobs program to open bank accounts and set up automated savings transfers. In prior years, all participants had been paid via prepaid cards (the default). In 2010, 9,000 youths were given the choice to open a bank account or to activate a direct deposit service into an existing account. Over 1,300 out of the 9,000 participants signed up for direct deposit – 500 into an existing account and nearly 800 into new accounts they opened as part of the program. In addition,

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[81] William Skimmyhorn, *Assessing Financial Education: Evidence from Boot Camp*, Volume 8, Number 2, American Economics Journal: Economic Policy (May 2016), at pp.322-343, available at https://www.aeaweb.org/articles?id=10.1257/pol.20140283; Pooja Wagh, *Beyond the Classroom: Evidence on New Directions in Financial Education,* Innovations for Poverty Action Financial Inclusion Program Brief, (January 2017), available at https://www.poverty-action.org/publication/beyond-classroom-evidence-new-directions-financial-education; Anne Roder, *First Steps on the Road to Financial Well-being: Final Report from the Evaluation of LISC's Financial Opportunity Centers,* The Economic Mobility Corporation (Mobility), (September 2016), available at www.lisc.org/media/filer_public/f7/f7/f7f7402d-690d-47f5-a7fa-537ab7b793c4/16024-first-steps_r5-report-web.pdf.; Craig Tower, Eric Noggle and Guy Stuart, Consumer Education for Branchless Banking Outcomes Assessment, Zoona and Vision Fund, Zambia, Microfinance Opportunities, (August 2014), available at https://www.microfinanceopportunities.org/?attachment_id=2549

almost 600 out of the 800 youth that opened new accounts also used the automatic savings feature.[82]

AUTOMATIC ENROLLMENT

A 2001 study compared enrollment rates in a 401(k) retirement plan for employees who were given the option to sign up for the program (opt-in) when hired, with those of employees who were automatically enrolled in the program and instead could choose to opt-out of the program. Taking advantage of the tendency toward inertia (the status quo bias), automatic enrollment resulted in significantly higher participation. Interestingly, automatically enrolled employees tended to stay at the default asset allocation (money market fund) while few employees who originally opted-in chose to invest in this particular fund. These results demonstrate the power of defaults and inertia in both positive and less constructive ways.[83]

ADVANCE COMMITMENT, COUPLED WITH AUTOMATED FOLLOW-THROUGH

The Save More Tomorrow™ (SMarT) program gave employees the option to commit in advance to allocate some of their future pay increases toward retirement savings. The average savings rate for program participants increased substantially.[84] Because it did not reduce employees' current income, the SMartT program avoided present bias. It also helped employees overcome hassle factors and inertia by enabling them to sign up in advance, immediately after learning about the program and three months before their next paycheck increase.

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[82] Mindy Hernandez, *Applying Behavioral Research to Asset-Building Initiatives: Lessons From a Year of Experimentation*, Corporation for Enterprise Development (CFED), (April 2011), at pp. 16-20, available at http://cfed.org/assets/pdfs/Applying_Behavioral_Research_to_Asset_Building_Initiatives.pdf.

[83] Brigitte C. Mandrian and Dennis F. Shea, *The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior*, Volume 116, Issue 4, Quarterly Journal of Economics, (2001) at pp. 1149-1187, available at https://doi.org/10.1162/003355301753265543.

[84] Richard H. Thaler and Shlomo Benartzi, *Save More Tomorrow™: Using Behavioral Economics to Increase Employee Savings*, Volume 112, Issue 1, Journal of Political Economy, (February 2004) at pp. S164-S187, available at https://doi.org/10.1086/380085.

Presenting information to promote healthier financial decisions

HEIGHTENING THE SALIENCE OF KEY INFORMATION

By presenting different information about payday loan costs prominently to different borrowers on a randomly assigned basis, researchers found that certain information, such as how the total dollar costs can add up over time, reduced borrowing.[85]

REMINDERS HELP PEOPLE PAY ATTENTION

A study found that simple text message reminders were as effective as financial incentives at helping consumers make their loan payments on time.[86]

2.5.3 Additional strategies from practitioners

Below are other promising strategies for putting this principle into practice, suggested by financial education practitioners at a convening of the CFPB FinEx. The strategies presented here are the most commonly recommended; for the full list, see Appendix B.

MAKE IT SIMPLE AND AUTOMATIC

Make it easy for participants to make decisions that support their financial well-being, make follow-through easier, and encourage use of options like automatic payments.

EMBED FINANCIAL EDUCATION WITHIN OTHER PROGRAMS, PRODUCTS, OR SERVICES

Build a financial education program into an existing program, product, or service.

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[85] Marianne Bertrand and Adair Morse, *Information Disclosure, Cognitive Biases, and Payday Borrowing*, Volume 66, Issue 6, Journal of Finance, (December 2011) at pp. 1865-1893, available at http://www.jstor.org/stable/41305179.

[86] Ximena Cadeno and Antoinette Schoar, *Remembering to Pay? Reminders vs. Financial Incentives for Loan Payments*, National Bureau of Economic Research Working Paper No. 17020, (May 2011), available at http://www.nber.org/papers/w17020.

CHANGE THE PERCEPTION OF FINANCIAL EDUCATION TRAINING TO MAKE IT VALUABLE

Reframe the incentives, or financial rewards, people will receive when participating in a program so that these are more likely to be valued. Present missed opportunities as a loss.

DO A PROCESS MAP OF YOUR PROGRAM

Do a process map of program decision points and figure out where there is participant "drop-off." Analyze what could be changed to maintain engagement and follow-through.

2.5.4 Related programs and resources

Below are some examples of federal government resources that can help practitioners put this principle into practice.

Resource	About the resource
Resource Guide for Youth Employment Programs: Incorporating Financial Capability and Partnering with Financial Institutions, available at https://www.treasury.gov/resource-center/financial-education/Documents/FLEC%20Resource%20Guide%20for%20Youth%20Employment%20Programs_January%202017.pdf	In 2014, the Workforce Innovation and Opportunity Act (WIOA) was enacted by the U.S. Department of Labor to support workforce development and related programs, including for low- and moderate-income youth. Local recipients of WIOA funds are required to offer or make available financial literacy training to participating youth. This has resulted in new opportunities for youth financial education.
CFPB's report on *Building financial capability in youth employment programs,* available at https://www.consumerfinance.gov/data-research/research-reports/building-financial-capability-in-youth-employment-programs/	The CFPB has developed tools to help communities that want to include financial capability skills in their youth employment programs, in coordination with the U.S. Department of Labor. This report includes information on integrating financial education into youth employment programs, including establishing partnerships with employers and strategies for working with financial institutions.

U.S. Department of the Treasury's *myRA*® retirement savings account, available at https://myra.gov/	Many individuals lack access to a workplace retirement savings account, making it more difficult for them to build retirement savings. To address this, the U.S. Department of the Treasury developed the myRA® (or my Retirement Account). This product allows people to set up automatic contributions from their paycheck, savings account, or checking account into a risk-free, no-fee savings vehicle. By providing an easy way to save, myRA® can help people learn savings habits and start building financial security.

3. Working together toward measuring and advancing effectiveness

This paper puts forward a view of financial education which encompasses the broad variety of approaches that have been found to help consumers build financial capability and make progress on their financial goals. This range of strategies — from classroom education, to rules of thumb, to technology-assisted decision-making, to learning via real-time, real-world transactions — is by no means exhaustive. The message here is that effective financial education strategies can be as varied as consumers' own financial circumstances and goals.

Our goal in presenting these principles and related strategies is to identify and advance effective efforts to help adult consumers improve their financial decision-making skills, choices, and resulting well-being. In order to advance the field's collective understanding of what works — whether one is directly providing financial education, supporting, funding, promoting, or researching it — it is crucial to have a way to measure and communicate the effectiveness of programs. This is particularly challenging given the variety of potentially effective program approaches and objectives. To help connect the dots between the principles presented here and the ultimate outcomes for the people being served, we highlight three approaches to measuring outcomes and effectiveness.

Tracking success through the elements outlined in the principles and the model of financial action

One approach could be to measure if there is a concrete change in any of the specific elements outlined in the five principles for effective financial education presented in this report and in the *Model of financial action* that the program or strategy is targeting. For example, if the approach seeks to provide knowledge and information, then pre- and post-tests may be used to see if the information is being absorbed. If the approach is focused instead on boosting financial self-efficacy or perseverance, then the program may need to measure changes in individual's attitudes and beliefs. If the approach is aimed at streamlining the action steps needed to complete a task, the program could track participant's progress through intended activities and milestones.

Using a common set of core outcome metrics for financial education and capability strategies

Secondly, programs could track a common set of core outcome metrics for financial education and capability strategies. Many programs track similar objective indicators of financial health related to such things as savings, debt, bill payment, or credit scores. They may also include activities, for example, using or discontinuing use of certain financial products, buying a home, or taking concrete steps toward a financial goal. Some program evaluations also measure attitudes toward various financial activities as a way of measuring whether people are adopting money management practices that will serve them well. Incorporating and reporting on common program-specific outcome metrics can facilitate expanded opportunities to share focused learning about effectiveness across programs and types of financial education. There have been several recent efforts to identify financial outcomes or behaviors that can be used to assess and compare effectiveness across programs.[87] In its report, *Tracking success in financial capability and empowerment programs*, the CFPB identified a core set of five such financial outcomes (planning and goals, savings, bill payment, credit profile and financial well-being), and provides sample metrics for each.[88] This core set of outcomes was chosen based on a review

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[87] See, e.g. Sarah Parker, Nancy Castillo, Thea Garon, and Rob Levy, *Eight Ways to Measure Financial Health*, Center for Financial Services Innovation, (May 2016), available at cfsinnovation.org/research/eight-ways-to-measure-financial-health/; J. Michael Collins and Collin O'Rourke, *Finding a Yardstick: Field Testing Outcome Measures for Community-based Financial Coaching and Capability Programs*, University of Wisconsin-Madison Center for Financial Security, (August 2013), available at https://cfs.wisc.edu/2013/08/19/finding-a-yardstick-field-testing-outcome-measures-for-community-based-financial-coaching-and-capability-programs/.

[88] The CFPB's report *Tracking success in financial capability and empowerment programs*, (April 2017), is available *at* www.consumerfinance.gov/about-us/blog/tracking-success-core-set-financial-outcomes-financial-empowerment-programs/.

of research, review of outcomes currently used by organizations and agencies providing financial capability and empowerment services, and input from experts. These suggested categories of outcome measures are intended to augment, not displace, other outcome measures that programs may be using, such as those described in the first approach mentioned above.

Measuring the ultimate consumer outcome: Financial well-being

As discussed in this and other CFPB reports, and as articulated by the U.S. National Strategy for Financial Literacy, financial well-being is envisioned as the ultimate and common goal of financial education.[89] The third approach can therefore be to use this ultimate consumer outcome as a common indicator for measuring and comparing effectiveness across financial education approaches. The CFPB developed the *CFPB Financial Well-Being Scale* to make it possible to measure this ultimate outcome.[90] The scale is a highly reliable tool that allows practitioners and researchers to easily measure and score the extent to which people's financial situation and the financial capability they have developed provide them with security and freedom of choice, the indicators of financial well-being. The scale allows an apples-to-apples comparison of scores across consumers, across programs, and over time. It providing as well, a basis to understand how other factors, including program approaches, affect financial well-being. The scale is free and publicly available, along with a guide describing detailed steps for use and scoring.

Integrating the three approaches

All stakeholders in financial education, from those investing in or providing it, to the consumers being served, benefit from better evidence about what works, for whom, and under what circumstances.

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[89] U.S. Department of the Treasury's Financial Literacy and Education Commission (FLEC), *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 update*, (2016) at p. 15, available at https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%202016%20Update.pdf.

[90] The CFPB Financial Well-Being Scale is available at https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-scale/

For an individual program or strategy to fully track and understand its effectiveness and be able to communicate its learning to the broader field, it may wish to utilize all three of the approaches mentioned. By beginning with measuring progress against the elements outlined in the five principles for effective financial education presented in this report and in the *Model of financial action*, a program can see if it is achieving its immediate objectives (that is, increase in knowledge or skill, improved confidence, or providing a more supportive decision context). A program or strategy could, in addition, track a core set of financial outcomes for the people served in order to understand downstream effects. Finally, measuring the financial well-being of the people being served allows a program to track over time the ultimate and common goal of varied financial education and capability strategies.[91]

Program and strategy effectiveness can be studied using a rich array of research methodologies. These may include an analysis of program performance data, case studies, quasi-experimental studies, or randomized controlled trials.[92] Our collective understanding of effective strategies to improve financial well-being can be further enhanced through the use of common outcome metrics and measurement tools.

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[91] For examples of how to measure the success of financial education efforts, see: Prosper Canada, *Financial Literacy Outcome Evaluation Tool*, Prosper Canada Centre for Financial Literacy and the Financial Consumer Agency of Canada (FCAC), (accessed June 8, 2017), available at http://www.outcomeeval.org/. This tool can be used whether a program or strategy is looking at the impact of one or more of the elements outlined in the principles for effective financial education and the *Model of financial action*, tracking financial outcomes for participants such as financial capability or financial health, or measuring impact on financial well-being.

[92] For additional information on what a randomized controlled trial (RCT) is and when and how to conduct one to evaluate a financial capability program, see: Consumer Financial Protection Bureau, *Rigorous evaluation of financial capability strategies: Why, when, and how*, (January 2014), available at https://www.consumerfinance.gov/data-research/research-reports/rigorous-evaluation-of-financial-capability-strategies-why-when-and-how/.

APPENDIX A:

Recommended program features

In addition to the principles outlined above, our own research and the research of others have identified many features as key characteristics that can help programs and strategies effectively improve people's financial well-being through financial behavior change.[93]

REMAIN UNBIASED

Materials should maintain an objective perspective in content and tone. Financial educators who discuss or facilitate product access should provide information on multiple product options and remain unbiased when discussing the pros and cons of each.

BE ACCESSIBLE

Program providers should pay attention to language, level of literacy of learner, language ability, location, convenience, cultural appropriateness, disability of consumers, etc.

BE EVIDENCE-BASED

Strategies used should be based on approaches that have been tested and shown to be effective.

[93] In this process the CFPB consulted financial education frameworks developed by a number of organizations, which included the Organisation for Economic Co-operation and Development (OECD), Institute for Financial Literacy, U.S. Department of the Treasury, National Endowment for Financial Education (NEFE), President's Advisory Council for Young Americans, Accion International, among others.

HAVE QUALITY STANDARDS

If feasible, programs should be vetted by the proper entity if applicable. Alternatively, programs should include quality controls in the training of trainers, and in the development of program materials to ensure trainers are competent and materials are accurate.

DEFINE AND MONITOR SUCCESS

Programs should have clearly defined learning objectives that are measurable and appropriate for the target audience. The design of programs should also include learning outcomes, performance measures, and carry out ongoing monitoring to track their progress and to measure effectiveness.

BE APPROPRIATE IN DURATION

Consider a realistic timeline to achieve the goals of the program. Different financial outcomes take different amounts of time to achieve. Financial behavior change does not occur overnight.

HELP LEARNING STICK BY MAKING INSTRUCTION ENGAGING AND EXPERIENTIAL

Program providers should make the instructional method engaging and experiential.

APPENDIX B:

Input from practitioners at the CFPB FinEx National Conference

To develop the principles, the CFPB synthesized its research into financial well-being and financial decision-making; gathered proven strategies that others have developed and studied; and incorporated feedback from practitioners in the field of financial education. The feedback from practitioners was gathered through the CFPB Financial Education Exchange (CFPB FinEx), which is an online and in-person vehicle designed to share financial education tools, resources, and best practices.

On September 8, 2016, CFPB FinEx hosted a national conference for financial educators. The conference provided financial education practitioners from around the country the opportunity to provide feedback on the five principles for effective financial education outlined in this report. Conference participants were also invited to contribute to and discuss a list of promising financial education strategies that relate to the principles. Approximately 120 financial educators attended the conference in- person, and an additional 60 participated remotely via webinar. Many of the participants worked with organizations engaged in financial coaching, counseling, or other types of one-on-one, in-person financial education. Thus, the strategies listed below are focused to some extent on those types of programs.

There were sessions at the conference on each of the five principles, during which participants provided feedback on the principles and developed lists of financial education strategies that put the principles into practice, based on their experiences. Participants at the remote sites were able to submit their feedback and practices online.

After the conference, all participants — both in-person and remote — had the opportunity to choose the top strategies for each principle from the ideas gathered at the conference and also had the opportunity to rank the top strategies in order of importance. The full list of practices for each principle, presented in rank order, is as follows.

Principle 1: Know the individuals and families to be served

FOCUS ON CLIENT-DRIVEN GOALS

Frame strategies around the financial goals of the people served and support them in developing a roadmap to reach them. Avoid dictating a predetermined approach or path, or being driven by an agenda determined by external factors.

LISTEN

In one-on-one engagements, practice active listening, asking individuals to talk about their life and their financial goals, asking open-ended questions, and listening to their concerns. In larger scale programs, learn about the target audience's needs and circumstances and build that understanding into the solution.

AVOID JUDGMENT

Avoid preconceived notions and respect peoples' financial situation and goals. For groups, be cognizant of the need of diverse audiences.

CONNECT WITH THE INDIVIDUALS SERVED

Take time to build a connection with participants by asking them about themselves, listening to personal stories, and using language that is jargon-free. Understand why and how they are making financial choices.

BE EMPATHETIC

Look at each person as whole, and not as someone who needs to be fixed; put yourself in the shoes of the individual to understand, without judgment, her perspective and circumstances.

UNDERSTAND FAMILY AND COMMUNITY INFLUENCES

Take into account family relationships, peers, and community influences as a source of financial attitudes, behaviors, stress, and support. When possible, engage the people that will support the individual to achieve their goals.

RESEARCH COMMUNITY BARRIERS AND RESOURCES

Learn about the community, culture, situation, and tailor financial education accordingly. Develop sensitivity to the challenges the community might be facing.

CONDUCT ASSESSMENTS

Use assessment strategies and tools to understand individuals' financial situation, needs, and barriers.

SHARE ABOUT YOURSELF

Build trust by sharing your own financial challenges, using stories to validate a person's experience. Bring energy, enthusiasm, and humor to the training.

SHOW CAUTION AROUND SENSITIVE QUESTIONS

Be careful about how and when you state personal or difficult questions to the people you are seeking to serve. Build trust by not asking difficult questions too early and approach sensitive topics indirectly if appropriate.

MATCH STAFF TO THE PEOPLE SERVED

To the extent possible, recruit and utilize financial educators with similar identities and life experiences to the individuals served and train them appropriately.

Principle 2: Provide actionable, relevant, and timely information

BREAK DOWN FINANCIAL GOALS INTO SMALLER STEPS

Identify bite-sized objectives within bigger goals. Then, tackle one objective before moving on to the next and build on success.

MEET PEOPLE WHERE THEY ARE

Focus on the top concerns of the person being served instead of trying to provide all education at once. Make sure information provided is culturally relevant.

CONNECT INFORMATION TO INDIVIDUAL'S FINANCIAL GOALS

Make information relevant to the people being served by connecting it to their financial goals and letting them decide what skills and information they need.

CUSTOMIZE OR PERSONALIZE INFORMATION TO THE PEOPLE BEING SERVED OR THE COMMUNITY

Ensure that information is timely and relevant by connecting it to people's life events or community situations (e.g., a large manufacturing plant closing down or natural disaster); or, in group settings, to a topic that everyone will have in common (for example, a car purchase).

HELP PARTICIPANTS SET THEIR OWN SMART GOALS

These are goals that are specific, measurable, achievable, relevant, and time-bound.

USE TECHNOLOGY

Use tools — especially ones that people served are already accessing — that can provide relevant information, such as mobile applications, text alerts about bill due dates, etc.

MAINTAIN ONGOING COMMUNICATION

Provide ongoing support and education by encouraging participants to come back, and by maintaining ongoing engagement with individuals served through social media or other means.

HELP INDIVIDUALS IDENTIFY RELIABLE INFORMATION SOURCES

Educate both participants and staff about "red flags," frauds, and scams, and direct them to reliable sources of information they can consult if faced with these problems.

DEAL WITH CRISIS FIRST

Tackle the individuals' immediate crisis first (the "911" issue). Connect them with local community resources that can help them get out of the crisis situation. Then educate on how the "911" issue could have been avoided.

SIMPLIFY THE INFORMATION

Make information simple and just enough, just in time. Do not always deliver information in the same way and order.

DEMONSTRATE THE VALUE OF RESEARCH

Teach people how to research financial topics and help them see the value proposition in doing financial research. Time invested in doing research and comparing products translates into concrete savings.

Principle 3: Improve key financial skills

PROVIDE OPPORTUNITIES TO PRACTICE AND EXPERIENCE

Have individuals practice skills repetitively and try time-limited challenges (e.g., do not eat out for thirty days) as a way to build habits.

USE TECHNOLOGY

Use tools like expense trackers, goal trackers, online coaching, and others to help build skills, deliver information, and maintain attention and follow-through.

USE SIMULATION AND EXPERIENTIAL LEARNING

Let people practice making financial choices and experience consequences in a safe environment.

HELP PEOPLE LEARN ABOUT HOW AND WHY TO DO RESEARCH

Empower people to do their own research and give them tools to seek out information on their own. Demonstrate the value proposition of comparison shopping—the time that people use to compare products will result in savings.

INCLUDE ACCOUNTABILITY

Work with people served on accountability—create a plan and revisit it during each session.

BREAK DOWN FINANCIAL GOALS INTO SMALLER STEPS

Break things down into less overwhelming, discrete, achievable tasks.

MAKE IT FUN

Make it fun and real with games, simulations, and other activities.

STUDENT AS TEACHER, OR PEER LEARNING

Build skills by having the participant become the teacher and by having people work through examples in a group, taking one person's example and working with peers to address it.

Principle 4: Build on motivation

CELEBRATE SUCCESS

Celebrate successes early and often by recognizing and acknowledging short-term goals achieved and benchmarks reached.

FIND OUT WHAT MOTIVATES THE PERSON YOU ARE SERVING

Focus on what is most important to the participant first and let the participant define success in a way that motivates him.

START WITH ONE THING

Get one thing done in the first interaction with the participant. For example, encourage the person to get her credit report and then get the participant's report. This helps people feel the satisfaction of accomplishing something and taking a first step.

USE REMINDERS, NUDGES, AND OTHER ONGOING SUPPORTS

Use strategies to help people stay motivated and on track, like reminders or having other periodic, relevant content.

DO TASKS TOGETHER

If an individual struggles with a task, do it together to start — and then be ready to let go when the person is ready to take the next step on his own.

ADDRESS THE ROLE OF FAMILY AND OTHER CONNECTIONS

Identify the detractors or the circumstances that might discourage the individual. Identify also people that will support and help participants reach their goals, as well as people that will present challenges or compete with participants as they try to achieve them.

ADDRESS EMOTIONS AROUND MONEY

Recognize the emotions tied to money and financial goals and help people served understand what is holding them back. Work with individuals to disrupt labels they give themselves (for example, being a “spender”).

SHARE SUCCESS STORIES OF OTHERS

Use success stories and testimonials from other people like them, which can be motivating.

VISUALIZE SUCCESS

Help individuals served to create a visual representation of their ultimate goal, using vision boards, timelines, maps, comparison tools, etc.

MAKE IT FUN

Make a game of it — use badging and gamification to reflect participants’ progress.

Principle 5: Make it easy to make good decisions and to follow-through on them

MAKE IT SIMPLE AND AUTOMATIC

Make it easy for participants to make decisions that support their financial well-being, make follow-through easier, and encourage use of options like automatic payments.

EMBED FINANCIAL EDUCATION WITHIN OTHER PROGRAMS, PRODUCTS, OR SERVICES

Build a financial education program into an existing program, product, or service.

CHANGE THE PERCEPTION OF FINANCIAL EDUCATION TRAINING TO MAKE IT VALUABLE

Reframe the incentives, or financial rewards, people will receive when participating in a program so that these will be more likely to be valued. Present missed opportunities as a loss.

DO A PROCESS MAP OF YOUR PROGRAM

Do a process map of program decision points and figure out where there is participant “drop off.” Analyze what could be changed to maintain engagement and follow-through.

USE OPT-OUT

Change the way in which financial education is incorporated into a program, from an opt-in option to an opt-out one, so that it is something everyone in the program is doing.

ALLOW FOR SOME LEEWAY

Acknowledge that it is hard to do the right thing and that people may want to treat themselves, once in a while, without breaking the budget.