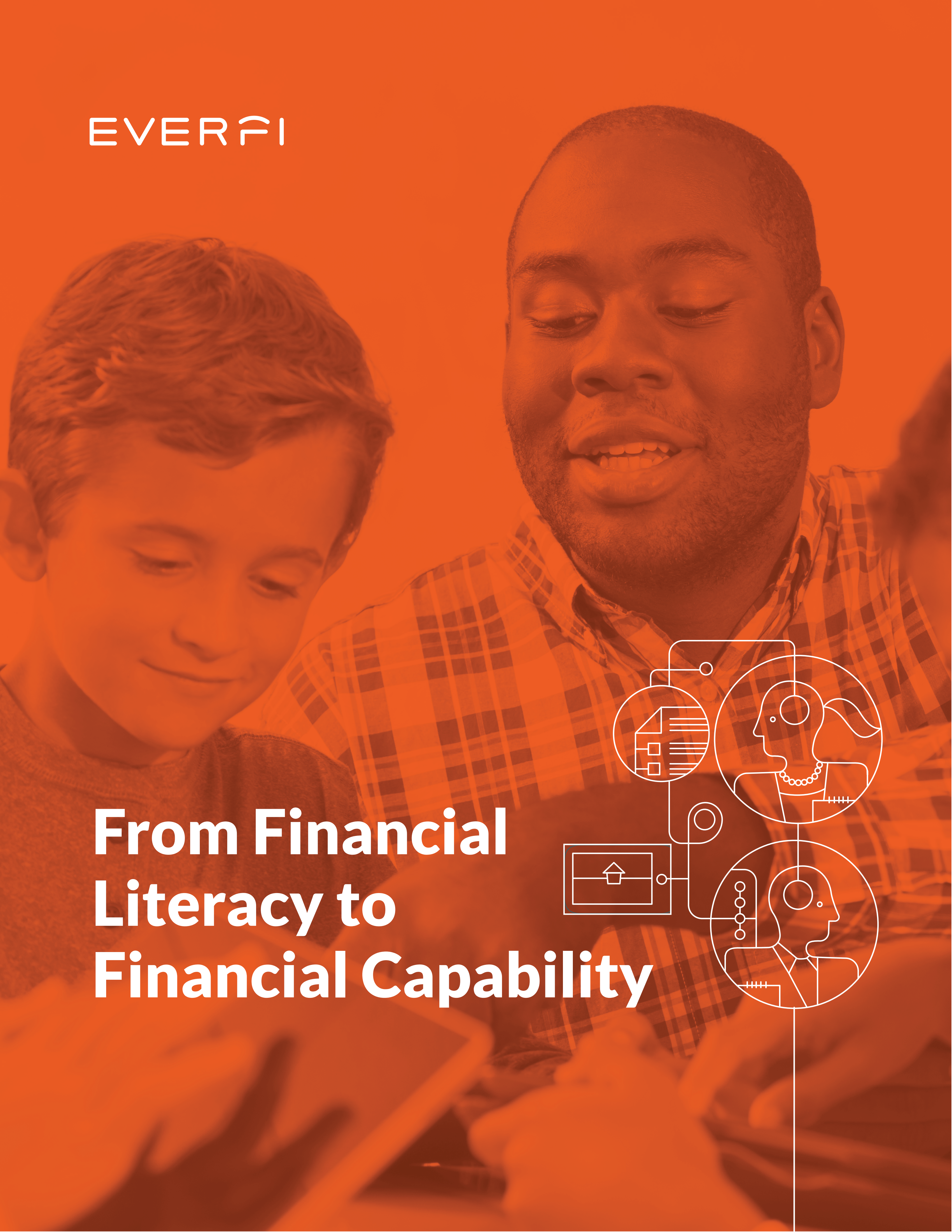

EVERFI

From Financial Literacy to Financial Capability

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FINANCIAL WELL BEING
is the ability and willingness to make financial decisions that increase financial security and choice, now and in the future.

FINANCIAL CAPABILITY
is the set of knowledge, attitudes, habits, and confidence in one's ability that is needed to develop financial well being.

FINANCIAL LITERACY
is the ability to understand how money works.

Introduction

The last several years have seen a shift among financial researchers and practitioners from a focus on increasing financial literacy to a focus on positively impacting financial capability. Where financial literacy is primarily concerned with what one *knows*— can he calculate an interest rate, does she know that a debit card is linked to a bank account and a credit card is not—financial capability broadens the conversation to include what an individual does when it comes to managing their money.

Although specific definitions vary, financial capability can be described as the set of *knowledge*, *attitudes*, *habits*, and *confidence* in one's ability to manage finances that is needed to develop financial well being. Financial well being, in turn, is the ability and willingness to make financial decisions, given the available financial resources and services, that increase one's financial security and financial choice, now and in the future.

Put simply, financial literacy is what you ***know***, financial capability is how you ***act***, and financial well being is what you ***get*** from your knowledge and actions.

This report will explain how EVERFI approaches financial education to promote financial capability, not limited to financial literacy. We'll then look at survey responses from EVERFI's financial education course for high school students, as well as assessment data from our courses for elementary, middle, and high school students, to explore the relationship between financial knowledge and financial confidence.

EVERFI's Financial Education Resources for K-12 Students

Vault
grades 4-6

FutureSmart
grades 6—8

EVERFI
grades 9—12

Knowledge and Practice

Given all that goes into financial capability beyond knowledge—attitudes, habits, confidence— it is incumbent on good financial education to address not just the facts, but also the context, values, and challenges that live alongside those facts.

In 2016, the Consumer Financial Capability Bureau released research identifying characteristics of youth development that influence adult financial capability.[1] The research identified:

1. Executive Function: The developing ability to plan, focus, remember, and multitask.

2. Financial Habits and Norms: The values, standards, practices, and rules of thumbs that guide day-to-day financial decisions.

3. Financial Knowledge and Decision-Making Skills: The understanding of financial concepts, and ability to do research and make intentional financial choices.

EVERFI's financial education resources incorporate these concepts in ways that are developmentally appropriate and align to applicable education standards. These resources reinforce and measure knowledge acquisition through formative, pre-lesson, and post-lesson assessments. At the heart of each lesson are performance-based activities and these interactive experiences allow students to apply what they have learned, practice their financial skills, and see the consequences of their financial decisions play out in real-world scenarios.

What students liked about the EVERFI Course

"You got to make your own decisions and there were not right or wrong answers either, just ones that are better, and I learned from my mistakes."

— HIGH SCHOOL STUDENT, PA

By the time students complete EVERFI, they should be able to:

- **Define key financial concepts and terms.**
- **Recognize the impact of financial decisions.**
- **Apply critical thinking skills to real-world financial simulations and interactive exercises.**

EVERFI's financial education courses go beyond financial knowledge to invite students to explore their own financial values and goals, make financial decisions and experience the consequences in a safe environment, and continue to develop the confidence and healthy habits that are central to financial capability.

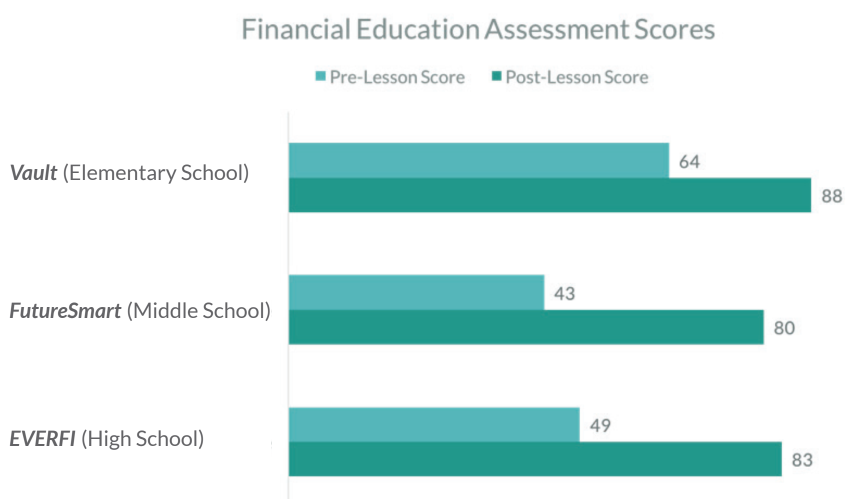
1. Consumer Financial Protection Bureau. (2016). Building blocks to help youth achieve financial capability: A new model and recommendations. Retrieved from https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-unveils-youth-financial-education-initiatives

Foundational Learning

There is extensive research — particularly after the 2008 financial crisis thrust the financial well-being of average Americans into the spotlight — of the low level of financial literacy among adult American consumers. A 2017 study of financial literacy found that only 48 percent of American adults could correctly answer at least half of a set of financial literacy questions; 52 percent scored a 50/100 or lower on the assessment. Young adults performed even worse.

Prior to explicit instruction, we see comparably low levels of financial knowledge among the elementary, middle, and high school students who take EVERFI's financial education courses. Among high school students nationwide, the average pre-lesson assessment score is just 49 percent. That is, across nine assessments, each asking five questions about financial topics like types of accounts, payment methods, and loans, students were able to answer only about 22 of 45 questions correctly. Middle school students scored slightly worse, averaging 43 percent on their pre-lesson assessments. Elementary school students fared somewhat better on assessments on more basic topics like spending, saving, and income, with an average per-lesson score of 64 percent.

Whether these low assessment scores are part and parcel of the low level of financial literacy among American consumers, or just an indication that students have not yet encountered many basic finance concepts in school or at home, we do see substantial improvement on assessments after students participate in EVERFI's financial education courses.



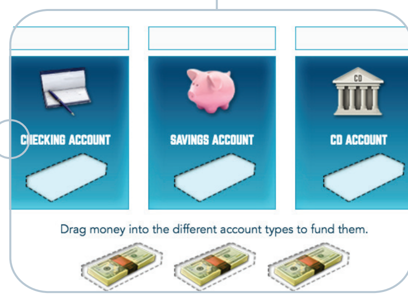
This improvement is important. It's a signal that students understand and are engaging with the financial topics taught; they remember what they've learned and appropriately apply that knowledge to correctly answer questions they couldn't before.

Increased financial knowledge alone, though, is not sufficient to set a student up for future financial well-being. When it comes to growing the financial capability that enables financial well being, we still need to address attitudes, behaviors, and confidence.

Building Confidence

Throughout EVERFI's financial education courses, students are presented with realistic scenarios that invite them to make financial decisions and explore the consequences of those choices. These scenarios are age-appropriate and designed to be approachable and relatable to students.

Exploring Financial Choices in EVERFI's Financial Education Resources



Elementary School:
Students experience the trade offs between saving and spending when they make choices about whether to go out with friends or save money for a birthday gift.

Middle School:
Students manage a budget when they go to the mall to furnish a redesigned bedroom.

High School:
Students think about how they will pay for college and what those decisions will mean in the future.

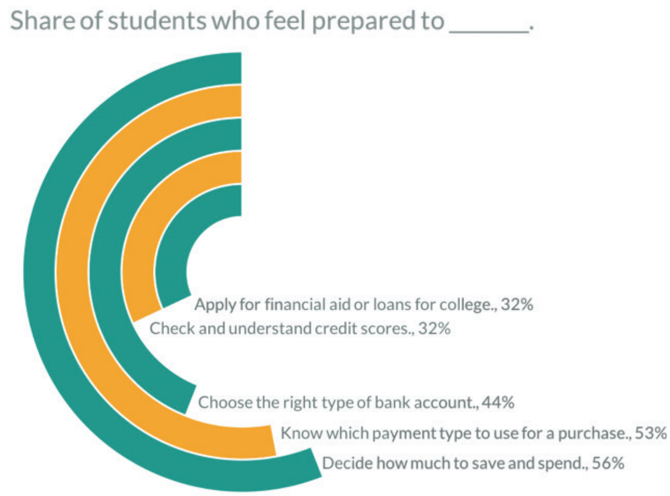
Each of these scenarios allow students to:

- **Apply** the financial concepts they are taught through earlier instruction.
- **Reflect** on their individual financial values and attitudes as they make choices.
- **Experience** the consequences of their choices in a realistic but risk-free setting.
- **Practice** making choices that reflect their values and lead to the outcomes to which they aspire.

These exercises, then, are intended to build on knowledge and develop capability. The result, we hope, is that students who are both knowledgeable about financial concepts and confident in their ability to make the best choice among the financial options available.

This confidence, it turns out, isn't much more common than knowledge when students begin an EVERFI course. To measure confidence, we ask students to tell us how prepared they feel to take on a series of financial tasks before taking an EVERFI financial education course, and again after they've spent time with the content.

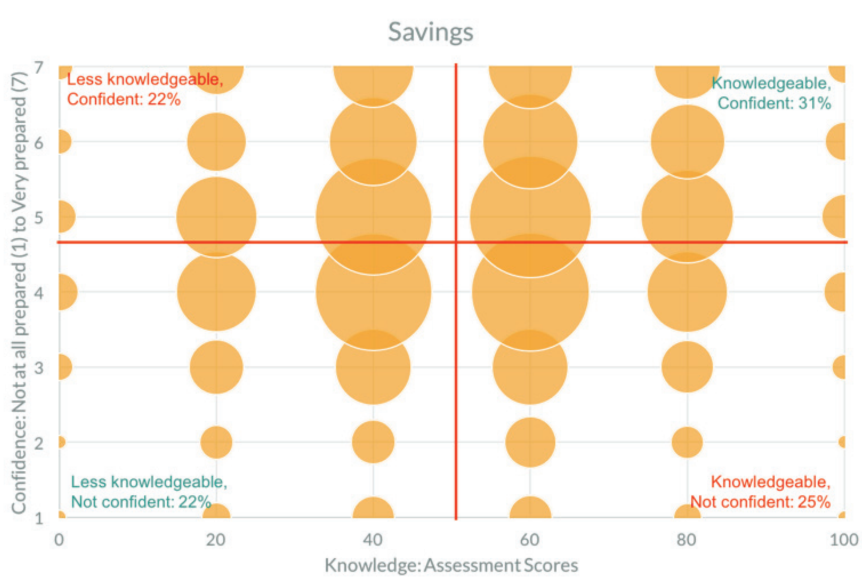
Among a group of 18,480 students who took EVERFI's financial education course for high school during January and February of 2018, we found that only around half of respondents reported that they felt mostly or very prepared to complete the types of financial tasks they'll confront as they move in to adulthood.



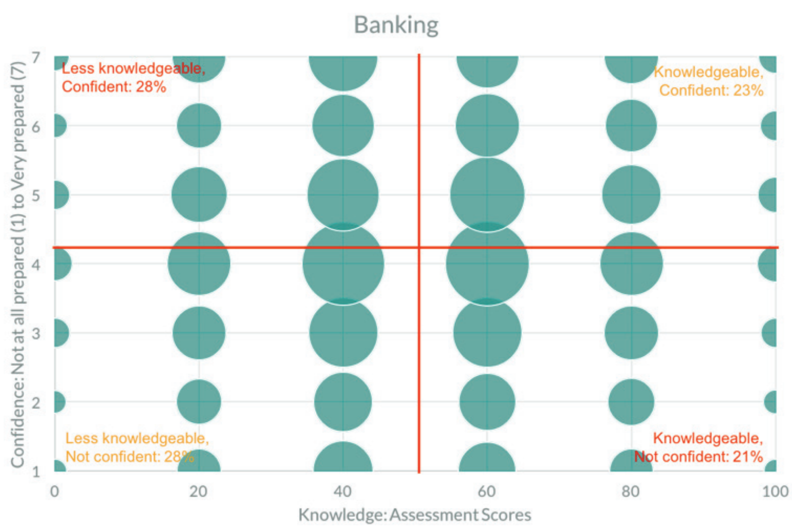
Significantly, when it comes to understanding why we need approaches to financial education that develop capability along with knowledge, confidence and knowledge are not strongly correlated in students' pre-course responses.

While there is a group of students who score very well on pre-lesson assessments and report a high degree of confidence in their ability to take care of financial tasks, most students have more mixed responses.

A quarter of students scored higher than average on assessments of the most basic financial knowledge in EVERFI's high school course — saving and banking — but reported feeling somewhat or very unprepared to make decisions that rely on the application of that knowledge.



Specifically, 25 percent of students scored higher than average on assessments about saving, while also reporting that they do not feel prepared to decide how much of their own money they should save and how much they should spend. Similarly, 21 percent of students in the sample performed well on assessments about banking, but reported not feeling confident in deciding which type of bank account they should be using for their own money.



On the other end of the spectrum, a comparable share of students reported feeling prepared to make those same decisions despite scores that indicate little knowledge of the relevant financial topics. Twenty two percent of students say they know how much to spend or save, but correctly answered two or fewer of five questions on the basics of saving. Twenty eight percent felt confident that they could pick out the best bank account for their money, but scored poorly on assessments of banking knowledge.

Measuring Capability

Financial capability and financial well being are influenced by many factors outside of the school setting, among them parent and peer influences, circumstance, exposure to money and financial services, personal values, and motivation. We cannot follow our students into adulthood to assess their future financial capability, but with more than a million elementary, middle, and high school students per year participating in an EVERFI financial education course, it is critical that we look for and monitor evidence that we are positively impacting the development of the characteristics associated with financial capability.

To assess impact, we focus on measuring three indicators:

1. Knowledge

2. Confidence

3. Planned action

Knowledge

EVERFI's financial education courses most directly influence the knowledge indicator. We measure financial knowledge by way of pre- and post-lesson assessments in which students are asked to answer a series of questions pertaining to the financial concepts they learn in the course. As previously discussed, we see substantial gains in student knowledge from before the course to after the course. Elementary school scores increase by 22 points, from 64 out of 100 to 88. Middle school scores nearly double, from 43 points to 80. And high school students increase in score from 49 to 83, a nearly 70 percent increase.

Confidence

To measure confidence, EVERFI's pre- and post-course surveys include a series of questions asking students to rate how prepared they feel to take on certain financial tasks on a scale from 1 (not at all prepared) to 7 (very prepared).

From before the course to after the course, we see a substantial increase in the share of students who report that they feel prepared (5, 6, or 7 on the seven-point scale). Among the 18,480 students who responded to surveys in January and February of 2018, the share of students who felt prepared to check and understand a credit score doubled (32 percent to 65 percent) and the share who report feeling ready to apply for financial aid or loans to pay for college nearly doubled (32 percent to 62 percent).

Planned Action

If financial capability is, ultimately, how you act based on what you know, what you value, and your confidence, attitudes, and habits around money, than taking positive financial action is the ultimate measure of financial capability.

After taking EVERFI's financial education course for high school, 39 percent of students in the study sample reported that they were more likely to plan and follow a budget to manage their spending. Three in ten rated themselves as more likely to save a portion of the money they make or are given, and a similar number described themselves as more likely to open a savings or checking account. While a number of factors influence financial action, and it is difficult to draw a direct line from financial education to future action, we regard these survey results as indication of a positive impact on students' intention towards productive financial action.

About This Report

Analysis of this report is based on survey and assessment responses from a total of 18,480 students who took EVERFI's high school financial literacy course online between January 1 and February 28, 2018. Students included in the sample are those who answered all pre- and post-course survey questions, in addition to completing assessments before and after each lesson. Students in this sample represent 47 states. Fifty four percent of the students were female and the balance male. Fifty three percent were white, 19 percent black, 19 percent Hispanic, and the balance another race or ethnicity.

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