



EVERFI

The State of Financial Literacy 2022

Young People Report Low Levels of Financial Preparedness

During the 2020-2021 school year, digital education and social impact company EVERFI surveyed thousands of high school students about their preparedness for the kind of financial decisions and tasks that adulthood requires. Students -- including juniors and seniors near their transition to adulthood -- report consistently low levels of readiness to take on financial tasks from evaluating financial products to establishing and maintaining credit to understanding how to pay for college.

Research from the Consumer Financial Protection Bureau found that financial skill and financial self-efficacy are strongly associated with financial behavior, and so are key steps on the path to financial wellbeing¹. In this context, financial skill is knowing how to find, process, and take action based on information and self-efficacy is confidence in one's ability to reach financial goals.

Given the critical role of skill and confidence in building financial wellbeing, the low levels of preparedness among young people could be a sign of trouble as students finish high school and move toward financial independence.

Financial Literacy 101

Among the most critical of financial skills is the ability to evaluate information and use it to make decisions that are aligned with one's financial values and goals. Rather than rote memorization, a complex financial system with an ever-increasing number of financial products requires an understanding of underlying concepts and the confidence to apply them in individual situations.

Prior to taking part in financial education, less than a third of high school juniors and seniors reported that they felt prepared to compare financial institutions and select one that best meets their needs (32%). Slightly more students -- but still less than half (47%) -- felt they could select, open, and manage a savings or checking account.

Young people also reported low levels of confidence in their ability to establish financial habits that contribute to long-term financial wellbeing: budgeting and managing credit. Half of juniors and seniors said they were "prepared" or "very prepared" to set up and follow a budget, while just a third (32%) felt they could check their credit and maintain good credit over time. These skills –

¹ Pathways to Financial Well-being: The Role of Financial Capability, CFPB Research Brief. September 2018.

budgeting and managing credit – are essential as young people move toward financial independence. The decisions they make in the next one to two years begin to carry consequences that can last much longer, directly impacting their lifetime financial wellbeing.

| Share of high school juniors and seniors who reported they felt “prepared” or “very prepared” to: | |
|---|-----|
| Evaluate financial institutions and decide which is best for me. | 32% |
| Select, open, and manage a savings or checking account. | 47% |
| Set up and follow a budget to manage spending and saving. | 50% |
| Read a paycheck and understand what determines their net (take-home) pay | 47% |
| Check your credit and maintain good credit over time. | 32% |

The Shifting Banking Ecosystem

As financial systems evolve and innovate, an increasing number of consumers are managing their financial lives online and using mobile apps, rather than paper checks and bank branches. The teens surveyed reported feeling more comfortable with modern banking applications than they did with more foundational financial concepts.

While there is still considerable room for improvement, a narrow majority of young people -- so-called digital natives -- reported that they feel equipped to safely use peer-to-peer payment apps (52%), protect their financial information online (54%), and recognize money-related scams (56%).

Maintaining safety and avoiding scams are important parts of successfully using digital financial tools and services. The same is true of non-financial activity online, and teens may be more comfortable in this environment as the COVID-19 pandemic accelerated trends toward increasing amounts of socialization and education online. But with so much of their lives online, opportunities for costly mistakes -- or bad actors taking advantage -- is significant, and a sizable minority of teens reported not yet feeling prepared to manage their financial lives in the modern ecosystem.

Share of high school juniors and seniors who reported they felt “prepared” or “very prepared” to:

| | |
|---|-----|
| Recognize money-related scams online or over the phone. | 56% |
| Protect my personal and financial information online. | 54% |
| Safely use peer-to-peer payment apps to send or receive money online. | 52% |
| Recognize scams that use peer-to-peer apps. | 49% |
| Use a bank or credit union’s online portal or mobile app. | 51% |

Navigating Higher Education

For many students and their families, deciding whether to go to college -- and how to pay for it -- can be a challenging process. The decision to take out student loans is among the first significant financial decisions many students will make as emerging adults, and the consequences often last for decades.

When it comes to their plans after high school, most juniors and seniors (78%) reported that they were considering a four-year or two-year college program. Despite their plans, just four in 10 students said that they felt “prepared” or “very prepared” to figure out the full costs of colleges they were interested in attending. Closer to half of students (46%) said they felt prepared to fill out a Free Application for Federal Student Aid (FAFSA), but just a third of those same students (32%) felt that they could read and understand loan offers they received.

Students reported being even less prepared to understand the financial implications of their loans. Barely more than a quarter of students (27%) reported being ready to estimate what their monthly payments might be after college. And about the same share of students (28%) said that they felt “prepared” or “very prepared” to establish a plan for how they will repay the loans that they take out to pay for college.

Share of high school juniors and seniors who reported they felt “prepared” or “very prepared” to:

| | |
|--|-----|
| Figure out the full cost of colleges I am considering attending. | 40% |
| Fill out a FAFSA form. | 46% |
| Receive and understand loan offers I may receive, including terms and fees. | 32% |
| Estimate what my monthly payments for loans will be after I graduate from college. | 27% |
| Establish a plan for how I will repay any loans I take out to pay for college. | 28% |

About the Surveys

This report is based on survey responses from students who participated in one of three EVERFI financial education courses during the 2020-2021 school year. These surveys were administered prior to the courses, and so reflect students’ attitudes and beliefs prior to participating in financial education. The number of high school juniors and seniors surveyed by course was: Financial Literacy 332,697; Modern Banking & Identity Protection: 26,377; and Financing Higher Education: 25,634.
